# FINANCIAL TIMES



Japan

Door closes on home loans



**European Union** 

What do we want it to do?



**Broadcasting** 

Hollywood on the Nile Czech Republic

Election fever comes early

Survey, Pages 23-26

## **C&W** chairman and chief executive go in power struggle

Cable and Wireless chairman Lord Young of Graffham and chief executive James Ross left the UK company after two days of crisis talks failed to resolve a bitter power struggle. The two were asked to leave the company "with immediate effect" but C&W refused to clarify whether they had been asked to resign or had been fired. Brian Smith, chairman of the British Airports Authority and a non-executive director of C&W until June 1995, has been appointed non-executive chairman. Page 17; Editorial Comment, Page 15; Lex. Page 16; Japanese expansion, Page 22

China to try leading dissident: China said it will try its leading dissident Wei Jingsheng on will try its leading dissident well singsneng on charges of "engaging in activities in an attempt to overthrow the Chinese government", which carry the death penalty, in a move which seems certain to affect Sino-US relations. Page 16; India backs WTO entry, Page 8

Dow Chemical group in Argentine deal: A consortium led by Dow Chemical won control of a significant proportion of Argentina's ethylene and PVC production, through the \$357.5m purchase of government stakes in two chemical companies.

Global audience for royal interview: The frank interview given by the Princess of Wales to the British Broadcasting Corporation was compulsive viewing for royal watchers across the globe in Australia, it was the most watched programme in television history while more than 500,000 people watched it in the Netherlands. Page 16; Power demand surges, Page 11

De La Rue warns of profit fall: Shares in UK banknote and specialist printer De La Rue fell more than 20 per cent after it reported half-year profits down at £69.1m (\$109m), from £72.8m, and warned full-year profits would fall. Page 17; Lex, Page 22

EU meat hormone ban reviewed: More than 80 international scientists will meet in Brussels next week to discuss the European Union's ban on hormones in meat, opening the way to a possible review of the policy. Page 6

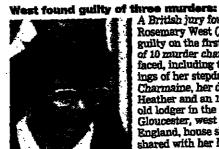
BAT, the international tobacco group, has agreed to pay \$88m for a 65 per cent share of the stateowned Augustow tobacco plant in Poland. Page 18

González pushes for EU enlargement: Spanish prime minister Felipe González called on Eilropean Union leaders to accelerate enlargement to central and eastern Europe. Page 3

Stratton wins Czech paper battle: US investment company, Stratton, secured control of the management board of Czech paper producer Sepap, at the centre of the Czech Republic's first his corporate takeover battle. Page 18

Row as Peres forms new government: Israel's acting prime minister Shimon Peres formed a new government, sparking controversy by taking the defence ministry himself. Page 6

Montupet, the French car components company, is to create 1,360 new jobs over the next six years in a £142m (\$221.5m) expansion of its Belfast plant.



A British jury found Rosemary West (left) guilty on the first three of 10 murder charges she faced, including the killings of her stepdanghter Charmaine, her daughter Heather and an 18-yearold lodger in the Gloucester, west England, house she shared with her husband

Frederick, who hanged himself in January in jail where he was awaiting trial. The jury is continuing deliberations on the

Cambodian prince charged: Prince Norodom Sirivudh, half-brother of Cambodian King Norodom Sihanouk, was charged with plotting to assassinate a political rival. Page 8

Gold producer to shed 3,450 lobe: The world's higgest gold producer, Freegold mines of South Africa, will cut 3,450 jobs in the latest stage of an industry-wide restructuring. Page 6; Commodities, Page 27

india to change Bombay's name: The indian cabinet decided to change the name of its financial s centre, Bombay, to Mumbai following demands to restore to the city's ethnic name from the western-

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Edward Mortimer, Page 14

WEDNESDAY NOVEMBER 22 1995

## Agreement is reached after secretive negotiations looked close to a breakdown eal to end Bosnia war is agreed

By Bruce Clark and Laura Silber

Leaders of Bosnia, Serbia and Croatia yesterday initialled a comprehensive US-sponsored plan designed to bring peace to the region after almost four years of brutal conflict.

The plan to re-establish a Bos-nian state, divided between a Serb zone and a Muslim-Croat federation was agreed at a US air force base after three weeks of intense and secretive negotia-tions which were looking close to breakdown till the last moment.

US President Bill Clinton said that the "people of Bosnia finally have a chance to turn from the horrors of war to the promise of peace". Mr Clinton now faces the challenge of persuading the US Congress to endorse the sending of about 20,000 US soldiers to Bosnia as part of a Nato peace force. The negotiations at the air base

in Dayton, Ohio, were revived from virtual collapse yesterday after Mr Alija Izetbegovic, the Bosnian president, was per-suaded to lift his objections to a deal that his Serbian and Croatian counterparts had broadly accepted.

There was snow in the morning and sun at midday", said Mr Carl Bildt, the European Union mediator on Bosnia, in reference to the final hours of negotiation early yesterday.

The accord initialled by Mr izetbegovic, by Mr Slobodan Milosevic, Serbia's president, and Mr Franjo Tudjman, their Croatian counterpart, calls for free elec-tions throughout Bosnia next year, freedom of movement and the punishment of war criminals.

Under the accord, the new Bosnian state will have a central government authority, representing all ethnic groups and respon-sible for external policy, mone-tary policy and issues of

Diplomats said that if all went to plan, the agreement would be formally signed at a ceremony in Paris within two weeks, and Nato would start deploying its peace implementation force a few days

The White House said that President Clinton would attend

the signing ceremony.

Mr Clinton promised US legislators yesterday that he would review Nato plans for a peacekeeping force carefully, and refer them to Congress before allowing US troops to be sent. This process of US consultation, whose outcome is far from certain, was expected to take place before the Paris conference.

Diplomats at the Dayton talks said it remained unclear how willing the Bosnian Serb forces would be to retreat behind the partition lines envisaged by the agreement, which allocates 49 per cent of Bosnia's territory to Serb administration.
Another shadow over the peace

process was the sharp division which emerged at the Dayton talka within Bosnia's mainly Moslem leadership. Some Bos-nian officials have suggested that they would rather have US arms and money than US ground troops in their country.

Mr Muhamed Sacirbey, the Bosnian foreign minister who complained a few days ago that a "bad settlement" was in prospect, contacted several news organia-

Operating losses (DM m)

Dasa

'The presidents of Bosnia, Croatia and Serbia have made a historic and heroic choice. They have heeded the will of their people.'

This peace agreement should give Europe a new chance to dedicate itself more fully to the important task of speeding up the process of integration across the entire continent.'

**UN mediator Thorvald Stoltenberg** 

The deal 'brings to a close the biggest armed conflict in post-war Europe. The basis for lasting peace has been laid.'

German foreign minister Klaus Kinkel

On sending US troops to Bosnia: 'I am not prepared to vote yes but I would discourage any member [of the House] from automatically voting no.'

US House of Representatives Speaker Newt Gingrich

tions early yesterday to say the peace process had broken down Bosnia has insisted on clear

The final bone of contention the status of the town of Brcko which lies on the route between Belgrade and Serb-held Bosnia was eventually referred to arbitration; diplomats said disputes over this issue could still reig-

US officials said that in keeping with earlier promises to the parties, they would move rapidly to secure the suspension of UN economic sanctions against Serbia and the lifting of the UN

Number of Jobs (100s)

promises of military aid from the US before agreeing to the lifting of the economic stranglehold of Bosnia. However, European diplomats said yesterday they were still worried that large US arms deliveries to Bosnia could desta-

bilise the region. President Milosevic of Serbia praised the deal, saying the time had come for economic recovery and co-operation. He said it meant economic sanctions against rump Yugo-slavia would be suspended.

By Wolfgang Münchau in

Daimler-Benz Aerospace (Dasa)



President Bill Clinton announces the Bosnia peace deal during a

## Euro-MPs Dasa faces action over plan to sack 9,000 back ban on 'cold calling'

By Emma Tucker in Brussels and

A ban on telephone "cold calling" throughout the European Union was yesterday approved by Kurodirect marketing and distance selling organisations.

In a move designed to spare people from what MEPs consider to be irritating telephone calls, a key parliamentary committee voted to make prior consent from consumers obligatory before a seller can approach them by tele-

> The proposed ban also applies to communications by e-mail, raising fears among publishing organisations that the develop-ment of the information society in Europe could be damaged.

The vote will have particularly strong repercussions in the UK, where telephone sales are highly developed, but will please authorities in Germany where cold calling remains outlawed.

The Direct Marketing Accord

The Direct Marketing Association, the UK trade body repre-senting most large organisations using telephone sales, said selfing over the phone, whether to a "cold" prospect or even an exist-ing customer, would become vir-tually impossible.

"Telemarketing is a growing industry which employs 900,000 people in the UK and has an estimated expenditure of £10.4bn. If this amendment is accepted a considerable percentage of these jobs would be lost," said the

The amendments have yet to be approved by the full parliament. However, it is rare for the parliament to vote against the recommendations of its key committees. The vote is expected to take place in early December. The issue will then return to the council of ministers, which

could reject the parliamentary

Russian companies strike barter deals

Workers in the Siberian city of Barnaul face four more months of sub-zero temperatures, but at least they can count on the com-fort of lit stoves and cigarettes the Barnaul Match Factory, one of the city's biggest employers, yesterday paid each worker 5,000 boxes of matches in lieu of

vages. The reversion to barter deals in Barnaul is part of a wider national trend. Thousands of factories struggling to survive in the harsh economic climate created by the Kremlin's austere

policies are paying workers in kind, or not paying them at all. This shift has prompted some Russian businessmen to warn that, instead of progressing from communism to capitalism, the country is sinking back to a primitive barter economy.

For enterprises like the match factory, barter is the only imme-diate solution to a cash-squeeze which left the plant mable to buy cardboard packing to con-Continued on Page 16 tinue production and with no

CONTENTS

int. Companies int. Cap Mics ...

money to pay wages. But Bar-naul's customers face a cash shortage as well, leaving the fac-tory with vast stocks of unsold

workers receive a daily bread allowance of 750g per family.

#### matches. So, when managers sent workers on two weeks' unpaid leave, they gave each the matches in lieu of wages. The workers are likely to sell them in local markets, where they are expected to fetch around Rb500,000 (\$100), close to the average monthly wage. Thousands of miles to the east, at Zvezda, a once elite defence dockyard on the Pacific coast which repairs nuclear submarines, wage packets have also become a thing of the past. The yard has fallen on such hard times that instead of a salary,

programme bas been particuarly painful for military enterprises because, in its efforts to meet strict budget deficit targets agreed with the International Monetary Fund, the government

## almost inevitable.

faces the prospect of widescale industrial action after a decision yesterday to go ahead with plans to dismiss almost 9,000 workers. Dasa hopes to end a long phase of crippling losses, which stemmed from overcapacity and the strength of the D-Mark, through a package of restructuring measures known as Dolores or dollar-low rescue. The heads of Dasa's work coun-

cils are due to meet shortly to discuss a response to the plans. It is expected within the company that industrial action is now

Daimler-Benz, Europe's largest industrial company, said yester-day its main board had "basically ed" the Dolores programme, which was approved by Dasa's board on Monday. Under the measures, Dasa will close or sell three factories and reduce its workforce by 8,800 staff by 1998. Its workforce will shrink to just over 40,000 excluding Fokker, the

Dutch aircraft company, and Euroconter, the Franco-German helicopter joint venture.

The decision to endorse Dolores without significant modifications underlines the company's determination to stick to its tough position in this industrial dispute. Most of the job cuts will hit Dasa's two large Airbus plants in Hamburg and Bremen. Daimler-Benz has come under heavy fire from investors after

announcing a six-month loss of Continued on Page 16

The Kremlin's tough economic

Continued on Page 16

## **Acquisitions** Monthly

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ins, Band Service .

Precedents - from the Lebanon to Cyprus and the old Yugoslavia - suggest the kind of state envisaged

The loosely structured Bosnian state whose creation is envis-aged by yesterday's deal will not be the first effort to bind together several bitterly antagopistic communities in a ramshackle political entity.

The precedents - ranging from the elaborate power-sharing arrangements of Lebanon to the failed "bi-national" state of Cyprus - are not encouraging: they suggest that nothing can make such a state work except the application of enormous pressure - military, diplomatic and economic - to counter the demons of disinte-

It is an open question how effective the central govern-ment of Bosnia - a kind of umbrella body exercising loose

By Jurek Martin in Washington

President Bill Clinton now has

a two-fisted fight on his hands

with Congress. It is hard to say

which will prove the tougher:

agreeing on a budget, or pre-

venting the legislature from

trying to block the deployment of up to 25,000 US troops as

At his press conference yes-terday. Mr Clinton seemed to buy some time for the Bosnian

would elapse before the sign-

ing of the final peace agreement which would then "trig-

ger" the Nato mission.

direct US command.

"A period of weeks"

part of Nato's Bosnia force.

■ US TUSSLE IN PROSPECT

**Now Clinton** 

must convince

can only work through the application of enormous pressure, write Bruce Clark and Laura Silber authority over the Serb zone of presidency, designed to hal committed war crimes, the republic and a Croat-Mos- ance the interests of its rival But it remains unlike lem federation - will prove to

Like Yugoslavia in its final years of existence, the new Bosnia will have a presidency that rotates between the republic's rival communities. But the rotating chairmanship of the Yugoslav state, which eventually collapsed, depended for its effectiveness on an authoritarian Communist party and secret police determined to keep the country

together. Bosnia itself had a collective

ethnic groups, under the Yugoslav system. But the nationalist politicians who were elected to that institution by Bosnia's one and only multi-party elec-

tion - in 1990 - later became the protagonists in the nightmarish war that began in 1992. The most ruthless of those power-brokers, at least on the Serb side, will be knocked out of the political arena by the Dayton agreement's insistence that the tribunal in The Hague should pursue its cases against those it suspects of having

But it remains unlikely that, after three and a half years of war, fresh elections would throw up a new generation of politicians who trust each

On the positive side, the Dayton agreements provide for the new Bosnia to have a single central bank and monetary system. This is likely to be one of the main channels for the soft loans and reconstruction aid which the international community has tentatively promised. During the final years of the Yugoslav state,

one of the few remaining functions of the central government was to act as a funnel for soft western credits - and once these dried up, the break-up of the state was accelerated.

The viability of the new Bosnia will also depend on the extent to which foreign governments are prepared to use the central bank as the channel for aid - and to insist that the proceeds be shared out fairly between the communities. Several western politicians have said they are reluctant to see any aid channelled to the Bosnian Serbs, whom they see as mainly responsible for the destruction of the war. Perhaps the most optimistic

provision of the Dayton agreements is the suggestion that refugees should be allowed to return to their homes. The war has transformed Bosnia from a complex cultural mosaic into a war-scarred and embittered wasteland whose regions have become ethnically compact and "pure" - in the grim language of the ethnic cleansers. It is hard to imagine citizens of one group living safely under the authority of local warlords who represent a rival group.

is present borders. The interested within his present borders. The interested by made up of the parts: a Boarlan-Cross. Federation and a Boarlan Sett Republic, with a "fair distribution of land between the land."

with a see that of Sergero will remain unled. It is no have an "effective" central government, including a national paragram and a constitutional country.

haid under manufactura supervision.

Pallugees will be ellowed to return to their homes. People will be able to into a fine throughout Boshik and the human rights for every Boshies of the human rights for every Boshies of the sum and the first of an independent commission and an

their countries and easy see ways to it their agreements. Mr. Clinton said only Near carrios that follows the US, as Near leader, must play as essential role in the rejector.

People in Belgrade had been looking forward to a lifting of sanctions as the main prize of the

peace negotiations. Inflation has started to take

off and is now running at 10 per cent a month,

There was no reaction last night from the

who will have to step down under the terms of the deal as an accused war criminal.

media say he has reached an understanding

with President Milosevic to go into quiet

Reports, so far unconfirmed, in the Belgrade

retirement in return for not being extradited to

according to official figures.

Even between the Croats and Moslems, who are notional allies against the Serbs, there has been virtually no progress towards a mutually agreed return of refugees, in spite of massive international pressure and the availability of gener-

ous resettlement aid. Bosnian President Alija Izetbegovic and Croatian President Franjo Tudiman recommitted themselves at an earlier ceremony in Dayton to the principle that refugees should be allowed to go home - but moves to implement that deal

Orasje, the Croat bridgehead

on the right bank of the Sava.

be lost and the Serbs defeated.

eventually to win control over

parts of western Bosnia,

of Banja Luka.
The Moslem-led Bosnian

government wanted access to

the River Sava at Brcko, a

town at the choke-point in the

corridor, which was predomi-nantly Moslem before the war

It was not the final dimen-

sions of the corridor which

almost wrecked yesterday's

agreement, it was the status of

Brcko which kept the sides

erupted in April 1992.

cluding the Serb stronghold

population of an has been disclaced by the war, and it seems likely that many of them will have to settle for financial compensation rather than preserve the hope of eventually going home.

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In practice, only the presence of overwhelming military force would persuade the local warlords in, for example, the Serb-held lands of eastern Bosnia to allow Moslems who fled earlier "cleansing" campaigns to return to their place of

If they do manage to return, and their homes have not been reduced to rubble, many of them will find Serb refugees from elsewhere in Bosnia and Croatia living there.

RUSSIA SIDELINED

#### Moscow watches play from Serbia feared that if Moslem the wings leaders persuaded Washington to make the corridor nar-rower, Greater Serbia would

By Chrystia Freeland in Moscow A narrower corridor might also have allowed the Croats

> For many Russian leaders, the Bosnian peace agreement sterday is a bitter. reminder that since the collanse of the Soviet Union in 1991 the Kremlin has become a marginal player in world

Although Russia has traditionally played an important role in the Balkans, it is the US, and to a lesser extent the countries of western Europe, which have dictated the terms for foreign involvement in the Bosnian crisis since it began four years ago.

talking for more than 24 hours after the US "final deadline" Moscow - whether it has chosen obediently to follow the Under the deal, the status of US lead or attack western policy with violent rhetoric - has been relegated to the sidelines. Even some of Washington's

most painstaking efforts to offer Russia at least the appearance of importance have served only to underscore the country's practical insignifi-One example is the surfmit

of the former Yugosla la's political leaders, which had been planned to take plans in Moscow on October 31. The meeting was announced during President Boris Yeltsin's Visit to New York in October as 🖡 means of smoothing Russian feathers ruffled by Nato airstrikes against Serb positions earlier in the year. Russian diplomats hailed it as a critical event in the effort to reach a

But when Mr Yeltsin's heart US diplomats offered quiet assurances that the Davton negotiations were the only ones that really mattered. For Russian officials, yesterday's deal has been an unwelcome reminder that their own attempts at summitry were

superfluous. Paradoxically, although the Bosnian crisis has been one of the clearest signs of Russia's withering international muscle, it has also offered a pretext for a return to some of the worst anti-western rhetoric heard in Moscow since the end

of the cold war. Nato airstrikes against Serb positions, which many analysts have credited with clearing the way for yesterday's peace deal, provoked a virulent reaction in Russia. Senior leaders described them as "genocidal" and Mr Yeltsin warned that they could lead to a new "cold war" in Europe,

For the extreme nationalist opposition, the Bosnian crisis offered an opportunity for even more hurid anti-western allega-tions. In a recent interview Mr Vladimir Zhirinovsky, Russia's most flamboyant ultra-nationalist, denounced the Bosnian crisis as "a cruel example of western aggression, aimed at destroying an economic opponent. Today, Yugoslavia's holiday resorts are empty and, instead, people go to French and Italian ones. Instead of drinking Yugoslavian wine, people drink French and Ital-

ian wine."
Mr Zhirinovsky is alone in his view that the war in the former Yugoslavia is the work of French and Italian hoteliers. but his broader conclusion that the war is a wider attack on orthodoxy; now the west is attacking Serbia, tomorrow it will be Russia is shared by many Russian politicians and

much of the Russian public. Nonetheless, despite the unwelcome implications for their country's role in the world, Russians may eventually reap solid economic benefits from the Dayton deal Russia, which claims to have suffered billion dollar loss because of the embargo of trade with Serbia, could be one of the winners if normal economic life is restored in the

## Last land obstacle pushed aside

Bosnian

propagandists it is the lifeline of their nation. To the Bosnian

government it is a deadly challenge to its hopes of building a unified state. To negotiators at

Dayton it was the last obstacle

It is called the Posavina cor-

ridor, it follows the fertile

Sava river valley, Bosnia's frontier with Croatia, and it is

the issue over which a whole

series of previous attempts to

make peace in former Yugo-slavia have collapsed.

about 7km wide at its narrow-

est point, was carved out by Serb troops in the first six

months of the war as a link

between Serbia proper and

Serb-held lands in Bosnia and

The 50km strip of land,

to vesterday's peace deal.

the Congress

case for a US deployment. Mr Gingrich said he looked at the prospect "sceptically but hearings next week and even offered to send a Congressional

Consultation on the details of that mission, including its normally "robust" terms of engagement, would also have to wait until he had himself agreed to it. But he noted that the operation would be under The president tried to contact the congressional leadership before his announcement (he only managed to get

through to Congressman Newt Gingrich, the Speaker) and devoted much of his statement to making the generalised case for US participation. Now that the three Balkan leaders had reached their agreement, "we must help them make it work". The US, for the deterioration of transatas Nato's leader, "must play a lantic relationships and Eurocentral role". The alternative pean security that, as Mr Clinwas for the US public to watch

more years of carnage on its TV screens each night. He also made it clear that. although he wanted to "hear the legislature had the authority to stop a president deploying troops overseas.

That will not be easy. There is little doubt that political and public opinion on the left and right does not currently favour a US military presence in Bosnia. Last Friday, after a bitter debate that nearly erupted into a physical brawl, the House passed by 243-171 a motion requiring prior congressional approval for such an operation. That result was not as bad as it looks for the president. It was well short of the two-

improvement on a 315-103 vote in the House on October 30 warning the Dayton negotiators that they should not count on US military involvement.

not even carry the Senate. However, Senator Bob Dole, the majority leader, relterated

with an open mind", promised delegation to Bosnia for a first-

ble opponent next November) could persuade him to try to block deployment and revert to the policies that he has long favoured. These are essentially an end to the arms embargo and the recreation of a true Bosnian multi-ethnic state by military means, though with only indirect US involvement. But he may also need to calculate the consequences of such a course of action for his foreign policy should he become president. He may not wish to be blamed, in the upcoming campaign or after.

ton said again yesterday, would be the consequences of a Nato bereft of US leadership. A third element in the president's struggle for approval is public opinion. Having disapseveral weeks, rightwing talk radio is once again consumed with Bosnia. Mr Oliver North, now a programme host, declared this week that "president Pinocchio's great Balkan adventure" was solely moti-

vated by politics and had to be resisted at all costs. But even he acknowledged that the public tended to rally around a president when US soldiers were at risk overseas. Mr Clinton will never win over the former architect of Iran-Contra, but the right arguments and enough time just might work on Congress. thirds needed to override a

A comparable motion may this week that Mr Clinton still had not made a convincing

The Serbs claim to have seized it on June 28 1992, the Mr Dole's presidential ambi-tions (he is Mr Clinton's probaanniversary of two significant events in their history - the assassination of Archduke Franz Ferdinand in Sarajevo in 1914 which led to the First World War, and the Battle of Kosovo, when the Turks conquered the Serbs in 1389. The Bosnians, suspicious of Serb-Croat collusion, have accused the Croats of retreating tactically to allow the

Croatia.

Bosnia-Hercegovina: main provisions of the US peace plan CROATIA Present frontline

corridor to be created. devastated in battles for control of the strategic route. Serb forces destroyed mosques and Catholic churches in an attempt to

erase all traces of the Moslems

and Croats who lived in the

region for centuries until they were driven out in 1992. For Belgrade, the corridor is a guarantee that Serb communifies outside Serbla can be sustained. The term "koridor", at first rejected as foreign by

entered modern Serbian folk-

Bosnian Serb leaders, has

President Slobodan Milosevic wanted the tenuous landlink to be widened to up to 20km to cement the Serbs' hold over northern Bosnia and secure an air corridor between

this town will be referred to

international arbitration. The attitude of the Croatian government may have been crucial in overcoming this obstacle. President Bill Clinton telephoned President Franje Tudjman of Creatia on Monday night asking him to

**■ VIEW FROM SARAJEVO** 

## Relief but little joy in Bosnian capital

By Harriet Martin in Sarajevo

In the icy streets of Sarajevo last night, there was some relief but little joy that the talks in Dayton had reached a

ledge that the US agreement unheld the de facto three-way carve up of their country. tasted bitterly of defeat. Bosnia's leaders came to accept that there could be no

peace unless they sacrificed their goal of a united Bosnia, but many in the capital believe this to be a short-term solution. They expect that war will return before long. Lejla Hodzic, a 28-year-old

engineering student, said: Those who signed this agreement were bullied into it. I don't believe that this settle-ment will bring freedom or

Serbia's President Slobodan Milosevic said yesterday that economic sanctions against the former Yugoslavia would be suspended immediately and lifted in due course as a result of the peace deal. The time lag between the two stages would be a formality necessary to calm

Belgrade.
Once liberated from sanctions, he said that his country could look forward to a period of dynamic economic and social development. "Our aim is integration into Europe and the world - equal co-operation with everyone," he

peace. Nato will only be here don't know the details, But I'm for a year. And what will happen when they leave? "It just means before long, maybe a year or two, the war

will start again." Amir Basic, 35, a soldier, was watching the news when, as frequently happens in Sara-jevo, the electricity failed. "I very happy. At last my people will stop being killed." Dzevahria Ferhatovic, 42,

who works in a cafe in the old town, said: "My 17-year-old son was killed in these streets by a shell. I'm happy that no-one else will be killed but I cannot feel any joy."

One condition of the agreement is that the 1.3m internal refugees have the right to return to their homes. Few expect this to happen, espe-cially in Serb- and Croat-held areas where the authorities do not want to recreate the mixed communities they spent so

long making ethnically "pure".

been made a refugee twice, now lives with her sister in Sarajevo, where a third of the population are refugees.

Azra Kalajvic, 63, who has

She said: "I'm very sorry about this agreement. It's just the old deal between Serbia and Croatia to divide our country between them. Whatever they say, the refugees can't go back to their homes. The Serbs have got everything they

Standing in the sub-zero temperatures waiting for a tram, Hajro Kozaric, 64, was happy peace had come at last. "The war has gone on too long and too many people have been killed. It's certainly not a good peace, and I don't know how long it will last. But at the moment perhaps we couldn't have hoped for more than

■ LESSONS FOR EUROPE

## European Union states forced to confront the limits of action

settlement in Bosnia is a sober-ing lesson in the exercise of power for the European Union. Without the intervention of the Americans, a deal between the Serbs, Croats and Bosnian Moslems would never have been possible. In the end-game. the Europeans were relegated to bit-players in their own backvard.

'Let's face it," said a senior "the Americans stole the issue from under our noses.

The sidelining of the Europeans is galling for those who believed that history was beckoning when the crisis in former Yugoslavia first erupted in 1991. Mr Jacques Poos, Luxembourg foreign minister, spoke for many when he declared that the crisis signalled the

"hour of Europe".

Arguably, a solution to the conflict might have been reached in the spring of 1993 had the Clinton administration backed the Vance-Owen peace plan put forward under the auspices of the EU and the United Nations. Indeed, the US plan is no better, and in some cases worse, than Vance-Owen in rewarding Serb aggression at the expense of the Moslems. But such arguments ignore the fact that it was the US, not

the EU, which finally broke the diplomatic stalemate in the summer of 1995. The serious diplomacy took place not inside EU institutions in Brus-sels, but in Washington and the peripatetic Contact Group comprising the US, Russia, France, Germany and the UK and the European Commission.

tributed generously to the UN peacekeeping force. France, a fellow contributor, pressed at times for a more aggressive approach; but its natural partner, Germany, was hindered by its own constitution, an unhappy history of involvement in the Balkans, and a

Lionel Barber on how the 'hour of Europe' came and went

Only the US had the political and military muscle to coerce the parties to a settlement. Crucially, however, the extent of US commitment in the follow-up, through the dispatch of US troops as peacekeepers to enforce the settlement, remains uncertain.

Thus, the Bosnian crisis offers several important lessons for the Union as it prepares for next year's conference to review the Maastricht treaty and its ambitions for a common foreign and security

• At heart the EU approach was defensive, aimed at containing the conflict and providing humanitarian aid. The British were always

ambivalent about military

near-disastrous move to recognise Croatia which almost split the Union in January 1992. Even if the EU had shown the political will to use military power, it lacked the independent capacity to do so. The Western European Union, the EU's fledgling defence arm, organised patrols against sanctions-busting off the Adriatic coast, but its role was always strictly secondary to Nato. The hollowness of the "European defence pillar" is one reason why Paris is drawing closer to Nato, without going so far as rejoining the integrated mili-

 The crisis exposed the Europeans' lack of co-ordinated planning, intelligence and analysis. The European Com-

tary command.

member states nor does it have the capacity and experience in political military affairs.

In the end, the US was more successful than the Europeans in pursuing a strategy in the Balkans. Washington's usurpa-tion of the EU in brokering a resolution of the dispute between Greece and the former Yugoslav republic of Macedoma drove home the point, as did its role in balancing the influence of pro-Serb Russia.

• Finally, the Bosnian crisis may have confirmed the limits of a common foreign and security policy for all 15 members of the Union. Britain, partly to assuage Eurosceptics in the governing Conservative party, pressing the case for selective co-operation rather than following the more coercive German approach of majority voting to attain a common policy. Bosnia may have been a premature test for the Europeans, but it defined a line between those able and willing to put troops in the line of fire and drew Britain and France more closely together in defence co-operation.

Having played second fiddle to the US in the peace talks, the EU is pressing for a lead role in post-war reconstruction as well as establishing political



and trade relations with the

former Yugoslav states. The EU initiative, which would complement Nato-led plans to enforce the peace settlement, is viewed in Brussels as a litmus test of the Union's capacity to wield influence in the Balkans. But, even in this area, internal squabbling has hurt the EU cause. Mr Carl Bildt, the special RU

envoy, also became embroiled in a row with Mr Hans van den Brock, the external political affairs commissioner, over their respective roles and postwar strategy. Mr Bildt, supported by Britain and France, called for a new set of accords

between all the states of the region not covered by "Europe agreements" - the accords with central Europe which offer the perspective of future

EU membership. Without these so-called "Bajkan agreements", Mr Bildt warned that the different countries would carve out their own paths to Brussels, undermining efforts at regional co-operation and increasing the chances of attempts to create a Greater Croatia, a Greater Serbia or a Greater Albania

Yet Mr van den Broek preferred a more traditional Brussels mix of partnership and co-operation agreements with

individual countries which put the Commission in the institu-tional driving seat. A compromise is likely which will cover provisions on human rights and democracy as well as new trade and political ties. The accords would also complement the immediate task of resettling refugees and repair-

ing infrastructure. A final test for the Europeans will be how much money they are prepared to contribute to the multilateral reconstruction package. Initial cost projections range between \$4bn to \$6bn; but negotiations have barely begun on the burden-

former Yugoslavia.

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## Walesa claims electoral fraud

President Lech Walesa's campaign team is hoping to have the result of Poland's presidential election reversed on the grounds of fraud by supporters of Mr Aleksander

Kwasniewski, a former communist who won by a 3
percentage-point margin in Sunday's poll.
Mr Boguslaw Kowalski, who was Mr Walesa's campaigo spokesman, said yesterday that "we have reason to speak of election fraud", adding that he would be lodging an appeal to the Supreme Court. Mr Kowalski told the Reuters news agency that he had evidence that Kwasniewski supporters in an electoral commission in Warsaw had "stuffed ballot papers

He also planned to claim that the election should be nullified because Mr Kwasniewski had claimed to have completed a university education while in fact he had been crossed off the list of students at Gdansk university in his fifth year. When dealing with complaints of this kind in the past, the Supreme Court has ruled that the result of elections could be nullified only if proven iraud had affected the results. Mr Kwasniewski won a 51.72 share of the poll, a majority of more than 600,000 voters. Christopher Bobinski, Warsau

#### Turkish PM to talk with Major

Mrs Tansu Çiller, Turkey's prime minister, will meet Mr John Major today to discuss bilateral issues, regional and security affairs and Turkey's attempt to conclude a customs union with the European Union. The European Parliament is to debate ratification of the accord next month and Turkey is lobbying EU governments to ensure a positive vote. Although the Strasbourg parliament is slowly moving in favour of ratification, many MEPs still have deep reservations over Turkey's human rights record.

The Socialist group is the largest bloc in the parliament and Mrs Ciller will also meet Mr Tony Blair, leader of the Labour party, to ask him to press Turkey's case in Strasbourg. The Spanish socialist government, currently holding the revolving EU presidency, has already come down firmly on Turkey's side. Mrs Ciller argues that customs union will bind Turkey closer to the west, strengthening its secular, democratic and free market systems. Rejection would further strengthen the country's growing nationalist and Islamic fundamentalist

#### French students take to streets

Thousands of French university students attended demonstrations in Paris and a number of other cities yesterday in the first of a series of strikes set to hit the government this week.

The protests came just ahead of an announcement expected today by Mr François Bayrou, the education minister, of his "emergency plan" to redress imbalances in the higher education system during 1996. The students have been calling for increased funding and a reduction in the extreme

variations in resources between colleges around the country. Their action yesterday came ahead of widespread calls for strikes on Friday that are likely to severely affect services on the national rail network and public transport in Paris and other cities. The country's airlines are likely to be affected and many newspapers based in the capital may also not be

available on the day. The Force Ouvrière union and the communist-led CGT have led calls for strikes in reaction to proposals unveiled last week by Mr Alain Juppé, the prime minister, to reform the country's deficit-generating social security system. Andrew Jack, Paris

#### Eurostar extends cheap fares

Buristar, operator of the cross-Channel rail link, yesterday announced an additional daily service between Paris and ondon from early fares until March.

The French railways, SNCF, said Eurostar would increase the number of daily trains from 11 to 12 between London and Paris from January. It also said it was maintaining the price of its cheapest return between Paris and London at FFr594 (£77) until March 28 next year. The ticket price, initially due to continue until December 10, brought Eurostar fares to slightly below those offered by the airlines

ECONOMIC WATCH

#### French industrial output falls

Industrial output, annual % change

French industrial output fell in September by 1.8 per cent from its July-August level, the Insee statistics agency reported yesterday, providing further evidence of the slowdown in French economic growth. In the same month, manufacturing output, a slightly narrower measure which excludes

energy and food, dropped by 2 per cent over its July-August level. The September decline was broadly-based, affecting intermediate industrial inputs as well as finished consumer goods. Insee experts said Source: FT Extent industrialists appeared to be drawing down their stocks and slowing production in the face

of signs of slowing consumption. David Buchan, Paris

EU seasonally adjusted industrial production rose 1 per cent in the three months to August from the previous quarter, the

Eurostat statistical service said.

Dutch seasonally adjusted manufacturing production rose
1.2 per cent in September compared with August. Manufacturing output was 3.0 per cent higher than in

Switzerland's seasonally adjusted trade surplus narrowed to SFr173.2m (197m) in October compared with a revised deficit of SFr465.7m in September.

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#### **NEWS:** EUROPE

## González seeks faster EU enlargement

By Lionel Barber in Brusseis

Mr Felipe González, Spain's prime minister, yesterday called on European Union leaders to accelerate enlargement to central and eastern Europe with a pledge to open acces negotiations in 1998.

Warning that momentum behind eastern enlargement was unstoppable, Mr González said it was vital to respond to fears in Poland, Hungary, the Czech Republic and other countries that they could be shut out of western institutions and left in a vacuum.

During a 90-minute interview with journalists in Brussels, the Spanish prime minister made clear, however, that the former communist countries could not expect to take full advantage of all EU policies such as the Common Agricultural Policy.

Instead, the EU should propose lengthy transition periods of up to 15 years to allow time

6 per cent

Hopes of a gradual decline in

Italy's consumer prices were dashed yesterday by prelimi-nary data showing November inflation was running at an

According to figures for

Italy's main cities released by

Istat. the national statistics

institute, prices in November

increased 0.6 per cent. This

raised annualised inflation

from the three-month plateau

of 5.8 per cent to 6 per cent.

The lira weakened against the D-Mark, dropping initially

to L1,133 from L1,126 on the news. But later in the day the

lira recovered slightly as the

markets became less alarmed

over interpretation of the fig-

However, if the data are confirmed, Italy's annualised inflation will be more than

double the EU average. The preliminary figures have tended to be an accurate reflection of the general trend

and the rise this month was

mfindustria, the employers

federation, have been forecast

ing optimistically for several

weeks that prices were falling. On the basis of yesterday's fig-

year-end will be inflation of around 5.4 per cent instead of

The main reason given for the unexpected rise was an increase in most car list prices

in October. Although the average increase in list prices is

understood to have been about

3 per cent, manufacturers

reportedly operated big discounts. Istat was obliged to

record the list price rises as

been an important element

behind the overall increase in

inflation, were this week shown to be cooling. In Sep-

tember producer prices were increasing at an annualised

8.7 per cent against 9 per cent

in August. Mr Rainer Massera, the budget minister, yesterday

issued a statement saying the

government's macro-economic

objectives for 1996 remained

However, next year's budget

is based on inflation dropping

to 3.5 per cent. This looks

ncreasingly improbable. The 1996 budget itself

passed its first hurdle yester

day being approved by the senate. The package will now be debated by the chamber of

deputies, where the govern-ment may be forced to accept some further amendments.

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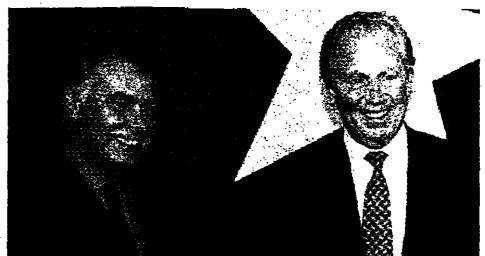
opposed to the discounting. Producer prices, which have

5.2-5.3 per cent expected.

against all forecasts.

annualised 6 per cent.

By Robert Graham in Rome



Spanish prime minister Felipe González in Brussels with Commission president Jacques Santer

for adjustment. "We need to think of new procedures," said Mr González, 53, one of Europe's longest-serving lead-ers. "We must be bold." Mr González also left open

the possibility that Mr Javier Spanish government would not Solana, Spanish foreign minis-ter, could emerge as a candidate for the vacant post of Nato secretary-general.

But he stressed that the

put him forward. He also warned that Mr Solana's depar-ture could cause "internal difficulties" - a reference to the fact that Mr Solana is in the

alez as head of the Spanish Socialist party should the prime minister decide to step down after next year's parliamentary elections. Mr Gonzalez was in Brussels on the first leg of an EU tour ahead of the Madrid summit on December 15-16. Spain holds the sixmonthly rotating EU presi-

He said he was speaking out in support of a clearer timetable for eastern enlargement because of a series of conflicting promises and obligations facing the EU in the run-up to the year 2000 which, if mishandled, could trigger a crisis. Challenges include next

year's inter-governmental conference to review the Maastricht treaty which could last until spring 1997; the selection of countries qualifying for the single European currency in 1998; negotiations on a new EU in 1999; and the commitment to

with Cyprus and Malta six months after the conclusion of the inter-governmental conference. This latter promise was the price of Greek support for the EU customs union with Turkev.

Mr Gonzalez said: "It is completely illogical and unrealistic to expect to begin access negotiations with Cyprus and Malta without also starting with Poland, Hungary, the Czech Republic, the Baltic states and all the other eastern European countries which wish to join

He said it would be unthinkable to delay eastern enlargement if there was a delay in the launch of the single European currency, though he stressed he thought it would go ahead in 1999 as planned. He also expressed support for Ger-man plans for a "stability pact" to enforce budgetary discipline among countries partic-

#### Italian Kinnock urges more transport funding inflation By Caroline Southey in Brussels rises to

Mr Neil Kinnock, EU transport commissioner, yesterday urged member states to come up with fresh funding for the European Union's ambitious programme of trans-European networks, warning that certain transport, energy and telecom links would not be built

unless more money was found. Mr Kinnock has produced an analysis, to be presented to the EU summit in Madrid next month, outlining the shortcomings in a five-year plan to spend Ecul.8bn (£1.5bn) on infrastructure

He said member states should make good their declared intention to turn Europe's transport patchwork into a proper network of interconnecting systems. He attacked governments for their perceived reluctance to adapt

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France proposed yesterday that EU and Mediterranean states hold regular high-level meetings after they inaugurate a new partnership next Monday in the Spanish city of Barcelona, Reuter reports from Paris. Mr Hervé de Charette, the French foreign minister, said: "The foreign ministers

of the 27 countries concerned should meet regularly, for example every two years. In addition, we propose that the next meeting takes place exceptionally at the level of heads of state in a country south of the Mediterranean to solemnly inaugurate our joint project."

national priorities and for behaving as not big enough. "if construction and funding are the job

of someone else". Mr Kinnock linked two key problems the shortfall in funding commitments and the lack of public and private sector co-operation. Traditionally the public and private sectors had not worked together on infrastructure projects, but co-operation was crucial because projects could not be funded from the pub-lic purse alone and the EU budget was

He said governments had failed to recognise the potential trans-European networks held for generating jobs, improving competitiveness and the functioning of the single market. Mr Kinnock said fresh evidence from a report on the socio-economic benefits suggested that member states had under-estimated by at least half the full

The report points out that two out of

advantages of cross-border links.

gian section. Ecul20m for the Dutch section and Ecu240m for the UK section. The high-speed link between Paris, Strasbourg and Germany is facing an estimated shortfall of Ecu200m. Examples of poor practices common in the implementation of the rail pro-

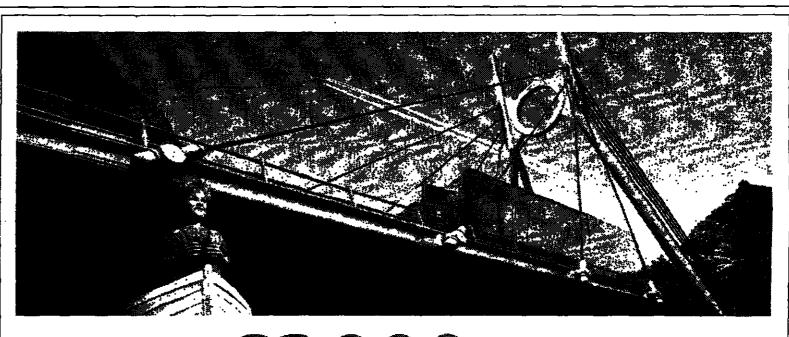
14 projects are suffering from severe financing problems. These are the

high-speed rail project to link Paris, Brussels, Cologne, Amsterdam and Lon-don, which faces shortfalls over the

next five years of Ecu200m for the Bel-

jects included national authorities set-

ting up conflicting schedules. The Brenner project linking Munich and Verona is singled out as an example where there was slow progress in defining the project and a failure to resolve financing problems. He called on states to create "project authorities" to help speed up implementation.



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By Virginia Marsh in Budapest and Alison Maittend in London

Hungary has suspended export licences for wheat pending a parliamentary inquiry into how the authorities came to issue licences for around 11m tonnes of wheat, more than double this year's har-

The Hungarian parliament's agricultural committee has also asked the state competition office to investigate allega-tions of price fixing following

sharp price increases in the

Wheat prices rose from about Ft10,000 (\$80) a tonne in May and June to Ft22,000 in August on the Budapest commodities exchange.

International wheat trade officials said the problem seemed to have originated in the huge increase in international grain prices this year after poor harvests in most of the main producing countries. US wheat export prices rose 70 per cent between the spring

"Everybody has been looking to the smaller exporters like Hungary [for supplies] and things got out of hand," said one official.

Before this summer's rises, grain prices in Hungary were around 50 per cent of world

Local grain analysts said low domestic prices and world wheat shortages led to a scramble for export licences. The number of grain traders

more than doubled to 170. Large state companies not normally involved in grain trading were also believed to have been buying wheat because of low domestic prices. Until the moratorium on new export licences, the government granted a Ft1,200 subsidy

on each tonne exported.

The trade ministry said no more than 2m tonnes was meant to be exported after a harvest estimated at 4.6m tonnes, or 400,000 tonnes below expectations.

It did not expect more than 1.5m tonnes to be exported before the end of the year, when the licences run out. This is because some grain traders appear to have applied for new licences without cancelling or handing in earlier, unused ones.

Farm groups want greater supervision of the commodities exchange and a more transparent information network. This would help small producers, many of whom sold their wheat at a fraction of current

Mr Richard Gueterbock, a UK-based food industry consultant who has just returned from Hungary, said: "More attention needs to be paid by Hungary and the EU to the whole issue of what's happening at the agricultural level.

Agriculture is an important contributor to the economy. But farmers are being paid low prices for their grain, which adds to the general dissatisfaction in the farming community

# Egypt seeks to lead Arab media world

James Whittington details two big film and satellite projects

tion teams are laying the foundations for what the Egyptian government hopes will be its Hollywood on the Nile. taken to prime the domestic

Film sets of a town square in Alexandria, a Pharonic temple and an Egyptian village bave already been built on the 2m sq m site and used in local

By the time it is finished, the Media Production City will be the largest studio complex in the Arab world with 13 fullyequipped indoor studios. 10 outdoor sets, two open-air theatres, an international hotel, and a theme park. It will cost about \$300m and five international groups have been invited to submit bids in January for the main installations.

The leading companies of each bidding group are AT&T of the US, Thomson of France, Philips of the Netherlands, Sumitomo of Japan and Sony Broadcast & Professional Europe. Construction will begin in 1996 and is expected to take about three years.

Meanwhile, this week the government's Egyptian Radio and Television Union (ERTU) is due to finalise its \$158m Nilesat contract with France's Matra Marconi and Alcatel Espace to build and launch the country's first satellite. One of the two satellites ordered will be launched by the Frenchmade Ariane rocket and will go into service in 1997. It will carry 12 transponders each capable of transmitting eight television channels along with data and audio signals throughout the region. The Egyptian government plans to take two transponders for its own services, which will include free-on-air and pay TV channels and lease the others.

This will provide some much needed space for Arab broadcasters who mainly use the only other Arab satellite - the outdated Arabsat. This is jointly owned by a group of Arab governments and is due to be replaced by Arabsat II

These two big media projects form the core of Egypt's ambitious strategy to regain the upper hand in the region's broadcasting market by the end of the century. Nostalgia for a return to the golden years of Egyptian cinema in the 1950s and 1960s, and a need to compete with increasingly effective and mainly Saudiowned satellite channels such as the London-based Middle East Broadcasting Centre (MBC), the Cairo-based Arabian Radio and Television (ART), and Rome-based Orbit Communications Company have been the main incentives

behind the plan. Media Production City will be used primarily to boost the supply of ERTU's productions which will be used on Nilesat. its focus will be on quality television drama series for which

n a tract of desert past the Giza Pyramids, construcrent the facilities to other tele vision and film makers. Meanwhile, steps have been

> market for the arrival of Nile-sat. Earlier this year, the government banned all imported decoders. Anyone wishing to distribute pay television channels will now have to come to an agreement with Nilesat. This will kill two birds with

one stone," said one local media analyst. "It will prevent Egyptians from watching some of the more risqué material broadcast from abroad, and will also help create a monopoly for [pay TV services offered from] Nilesat."

Egyptians are already showing an appetite for satellite television. Many rooftops in Cairo have satellite dishes of all sizes and although officials have lost count of the exact number, unofficial estimates say there are about 2m dishes throughout the country, or 1 for every 30 citizens.

"We're exposed to many dif-ferent channels and we believely in freedom on the airwaves but next to those channels from abroad we need to maintain a strong Egyptian identity, espe-cially for cultural and educa-

Although both projects are state-backed it is hoped most financing will be private

tional purposes," said Mr Mahmoud Kishk, vice-president of the ERTU.

Although both projects are backed by the government, ERTU is hoping to attract most of the financing from the private sector. Both Niless and Media Production City will become joint-stock companies with ERTU planning to take the largest single stake of between 30 and 40 per cent of equity.

quity. .Mr Kishk said there had already been a significant number of inquiries to participate in Nilesat from Egyptian investors, local banks and other Arab media companies. There is even talk of selling a minority stake to retail and institutional investors on the Cairo Stock Exchange. The company is due to be incorporated by the end of the year. ERTU will then turn its

attention to the more difficult task of finding investors for Media Production City. The five international bidders have already been asked to include financing proposals for the facilities they wish to build and other programme makers have expressed an interest in taking a stake in the company.

## India backs China on WTO entry

By Peter Montagnon, Asia Editor, in London

China's desire to join the World Trade Organisation received support yesterday from India, another large developing country often seen as its rival.

Mr Pranab Mukherjee, foreign minister, said in London that India endorsed China's application to join the WTO and even had no objection to extending the status of original member to that organisation.

China was a founding member of the General Agreement on Tariffs and Trade but the nationalist government on Taiwan left Gatt in 1950. Part of the controversy about China's WTO membership centres around whether it should

be treated as a new member, subject to more stringent conditions or simply regarded as resuming its membership. Explaining India's support for China, Mr Mukherjee said bilateral relations between the two countries had improved considerably. Trade which had

been suspended for 30 years had now resumed India had opened two border posts to commercial transactions and had identified several more which would be opened in

The volume of exchanges between the two countries was still quite modest at around \$1hn, but it would grow.

Euron Corporation, the US energy group, said yesterday it had reached agreement with a Maharashtra state committee set up to renegotiate the \$2.8bn Dabhol power project India's biggest foreign

The Hindu nationalist government of Maharashira had cancelled the project saying it was too costly, its power tariff too high and its environmental impact

The state committee will now submit its recommendations to the state's cabinet, which is to decide on whether to permit a resumption of the project by December 10. Enron said it would suspend legal proceedings in London until that date.

For its part, India wanted to be a member of the Asia Pacific Economic Co-operation forum which aims to liberalise regional trade by 2020, but had to accept that there would be a freeze on new membership until at least 1997. But it aimed to develop a

constructive dialogue with Apec countries in trade matters such as tourism, investment and technology transfer. The dialogue would be similar to that which India undertaks with the seven-member Association of South-East Asian



By Caroline Southey

More than 80 Leading International scientists will meet in Brussels next week to discuss the European Union's ban on hormones in meat, opening the way to a possible review of the Union's policy. The European Commission

called the conference in an attempt to break the deadlock over the future of the EU's blanket ban on the use of growth promoters in livestock production and the import of hormone-treated meat.

Pressure to ease the ban has become intense following a US threat to challenge the policy

through the World Trade Organisation. But consumer groups have consistently resisted any suggestions that the ban should be eased and some have argued that the measures should be strengthened.

Mr Franz Fischler, EU commissioner for agriculture, stressed yesterday that the conference was not a policymaking forum. "It is not a question of taking political decisions at the conference. We want to introduce an element of objectivity into the debate and to avoid an emotive approach to the issue," he said.

Mr Fischler said the EU's

evidence more than 10 years old. "The time has come to look at the intervening period and the scientific progress that has been made." he said. New substances had come on the market since the original rules were drawn up.

One possible outcome of the conference was that the scientists "can provide us with a solid base on which we can defend ourselves". But it was clear a 10-year old policy could not remain as it was. The ban has been opposed by pharmaceutical companies,

among others, on the grounds that the EU's list of prohibited

drugs includes some which,

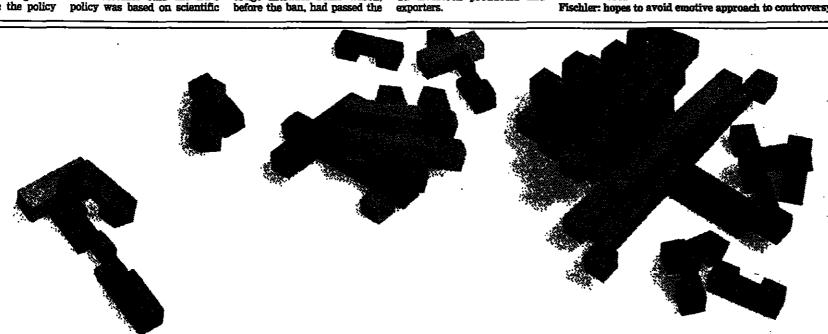
European countries and are used in the US, Canada; Australia New Zealand Latin America and Africa The US allows the use of three "natural" hormones, cestradiol beta 17,

progesterone and testosterone, as well as two "synthetic" hormones, trenbolone and Washington maintains that the EU ban constitutes an unfair trade restriction. It cites the drop in US red meat

exports to the EU, from \$231m in 1988 to \$98m in 1994, as evidence that the ban has hurt US livestock producers and



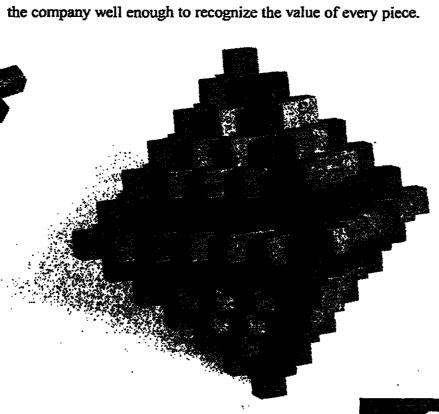
Fischler: hopes to avoid emotive approach to controversy



## CUSTOMIZED LEVERAGED FINANCING FOR A \$1.7 BILLION SPIN-OFF



financing for the spin-off of 34 of their companies in less than a week. The deal was designed to enhance shareholder value and create a new corporation with a flexible capital structure. We understood the company well enough to recognize the value of every piece.



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# Bouchard to take over as **Quebec PM**

By Robert Gibbens in Montreal

Separatist leader Mr Lucien Bouchard is leaving Canadian federal politics to take over as Quebec premier and leader of the province's ruling pro-independence Parti Québécois.

Announcing his long-awaited decision yesterday, Mr Bouchard said his main aim would be restoring vitality to the province's troubled economy while awaiting any new consti-tutional offers from the federal government aimed at keeping

However, he made clear he expected such proposals to be inadequate, and said he would then move to call another referendum on independence. although this would not be before April 1997. He predicted that a new referendum would bring victory for the separatists, who were narrowly defeated in a vote on the French-speaking province's

status on October 30. "My priority will be dealing with Quebec's public finances, restoring the province's economy and trying to ease social tensions," he said. But he made clear: "The fundamental objective of the Parti Québé-

We've never been so close." Mr Bouchard said he would not enter another Quebec referendum unless he was sure of win-

Mr Bouchard's charisma and dynamism saved the separatist camp from disaster in the final weeks of the referendum campaign in Quebec, bringing them to the brink of victory.

Mr Jacques Parizeau, who had led the PQ to victory in September 1994, resigned as party chief after the referendum result. Mr Bouchard will remain leader of the federal separatist party, the Bloc Québécois, in the House of Commons in Ottowa until the year end. He is then expected to become PQ leader and provincial premier by acclaim about mid-January.

Mr Bouchard has already an

assured seat in the Quebec national assembly.

Many Bloc Québécois MPs in Ottawa could now decide to return to Quebec politics. The Bloc has 53 seats in the House of Commons, against 52 for the western Canada-dominated Reform party, and is the official Opposition to the Liberals under Mr Jean Chrétien, the prime minister. The Reform

party will have to wait until



the end of the year before it can claim to be the opposition. As for the Bloc itself, though ing to succeed Mr Bouchard as leader, it appears to be heading for decline with no potential leader

of Mr Bouchard's calibre. Mr Bouchard's wife Mrs Audrey Best said politics had not been her first choice, but she was willing to support Mr Bouchard in his new career, in the hope that their private life

## Ruling blocks illegal aliens law

By Christopher Parkes in Los Angeles

A judge has ruled as unconstitutional a key part of California's Proposition 187, the US's toughest measure

against illegal aliens. The emergence of this new obstacle, the most severe in a series which has effectively frozen implementation of the year-old legislation, means the initiative's main provisions are likely to remain blocked during an appeal process expected to last for years and end in the

US Suffeme Court. Judge Mariana Pfaelzer, who said that popular support for the move when it was approved by ballot last year reflected "justifiable frustra-tions", said key elements in the proposition, designed to deny medical, educational and other publicly funded benefits to unregistered aliens, usurped federal authority.

Although the state might withhold its own resources limited mainly to pre-natal ser-vices and care for elderly - federally funded services fell outside its control.

The legal setback would shift ing to Governor Pete Wilson.

the focus of the debate to Congress where it belongs, accord-Mr Wilson, whose support for the grass-roots "Save Our State" initiative behind the

proposition is credited with

sealing his hold on power in

last year's election, said the US district court decision would "frustrate the will" of the Californian people. He was speaking at a Repub-

lican party fund-raiser on Monday night following the ruling. In spite of the district court decision. Mr Wilson and the proposition's original sponsors appeared confident that they l set in motion a process which would ultimately lead to sharpened federal controls.

Fuelling the debate is the lack of consensus on the scale of immigration into the US. One federal study in 1993 said the aggregate annual cost to taxpayers of immigrants, both legal and illegal, was \$12bn. In the same year, Mr Wilson

claimed undocumented aliens and their US-born children cost California alone \$3bn a year. However, the figures

believed to have pushed the issue to the top of the popular agenda came in studies of the state healthcare system which showed the mothers of twothirds of the children being born in Los Angeles County hospitals were unregistered.

While Californian proponents of a clamp-down continue preparing a fresh package of control measures, grass-roots movements have been established in Florida. target of mainly Cuban immigrants, and Arizona, which has an even longer border with Mexico than California.

## Cardoso resists Raytheon gamble ends in tears inquiry

Brazil's President Fernando Henrique Cardoso yesterday called on leading political allies to resist demands for a special congressional investigation into a radar contract hit by corruption allegations.

Mr Cardoso, who accepted the resignations of his chief of protocol and airforce minister over the controversy at the weekend, is concerned that an investigation could delay approval of other congressio-nal business, especially constitutional reforms to modernise

the country's economy.

The allegations relate to a project known as Sivam, a \$1.4bn contract to install air traffic control and environmental monitoring radars in the Brazilian Amazon. The contract, won by Raytheon of the US against competition from Thomson of France, has been dogged by controversy and allegations of wrongdoing. Mr Cardoso yesterday met leaders of his ruling majority, who agreed they would not push for an investigation at this stage.

The weekend resignations stemmed from government concerns that the two men were compromised by publica-tion of transcripts of taped telephone conversations showing them to be close to Ray-theon's sales representative in Brazil, Mr José Affonso Assumpção, Raytheon has denied any wrongdoing, and stressed that Mr Assumpção is

not a company employee.

The latest problems with Sivam, which is already behind schedule, has prompted calls for the contract to be retendered, an idea the government strongly opposes

One of the project's stron-gest opponents, senator Gilberto Miranda of Amazonas state, yesterday called for a suspension of financing. Mr Miranda, who was originally in favour of the project and was named in the telephone transcripts, is in charge of the senate committee due to approve preferential funding from the US Eximbank. move.

Attempt to revive an industrial wasteland foiled

by puritanism and doubt, writes Richard Waters ridgeport, Connecticut cut. Less than four years ago, is ringed with industrial devastation. Once a centhe Mashantucket Pequot

Connecticut casino

tre of the US armaments industry ~ Singer made machine there. guns and Remington Arms was founded here - this New England city has been left high and dry by the US defence cuts of recent years. Of the few defence businesses that remain, Allied Signal is about to close its local tank engine plant, while Sikorsky recently announced another round of How to rekindle the economy

of one of the North East's most derelict industrial areas? To gambling resort. the residents of Bridgeport, the

answer, at least until last week, was simple - gambling. Like a growing number of other cities and states across the country, Bridgeport had pinned its hope of salvation on a plan to build a casino. With nearly 9,000 permanent jobs and \$1bn of investment, the project was intended to kickstart the economic life of Connecticut's biggest city. It would also have brought casino gambling within an hour of New York city.

Bridgeport's dreams died at the end of last week. Connecti-cut's legislators voted on Friday to reject the plan, propelling the state's largest city back into economic gloom. In the process, they have also dealt the latest and biggest setback to an industry which until recently had seemed set to take the North Bast by

Once confined to Las Vegas

and Atlantic City, legalised gambling has spread quickly in Indian reservations across the US in the wake of the Indian Gaming Regulatory Act of 1988, which opened the way to legalised gambling on tribal lands. More recently, cities such as Bridgeport have tried to extend the casino habit away from the tribal lands and riverboat cruises where it currently flourishes.

The source for New England's recent enthusiasm for gambling can be traced to the woods of eastern ConnectiIndians opened the region's first casino on tribel land

Forwoods has since become America's - and maybe even the world's - most profitable casino. It will gross about \$600m (£400m) from its slot machines this year, and another \$400m from its tables. says Mr Mickey Brown, Fox-woods' chief executive. That is roughly a quarter of the gambling revenues generated by all the casinos in Atlantic City, the East Coast's traditional

Foxwoods is about to go through a transformation, adding about 50 per cent to its existing space (in part to

While there are few industries surviving in the area, critics say the rage for casinos is a short-term response to the decline, and represents 'a failure of the imagination'

reduce the overcrowding caused by cramming in 3,875 slot machines). It is also building the hotel rooms and meeting space needed to attract big

business conventions. As a result, the tiny Pequot tribe has become New England's most impressive business success story, attracting a host of would-be imitators. Two nearby cities in Massachusetts and one in Rhode Island, as well as Bridgeport, have developed plans for new casinos. Proposals are also being drawn up for two Indian reservations in the Catskills, while Mayor Rudolph Giuliani

is pondering the desirability of riverboat casinos cruising the waters around New York city. Outside hig cities, there are few other industries stirring in

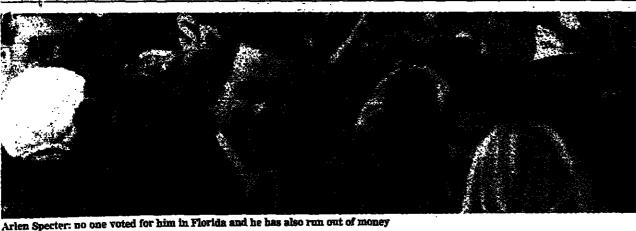
this corner of the North East. "Within 100 miles of here are some of the most devastated cities in the whole of the US. says Mr Lawrence Fish, chief executive of Citizens Financial, a bank headquartered in Rhode Island. Mr Fish, like other local critics, says the rage for casinos is a short-term response to industrial decline, and represents "a failure of the imagina-

However, it remains one of the only hopes for short-term job creation. Hit by the retreat of its defence and metal fabrication industries, as well as the decline of Hartford, the traditional heart of the US insurance industry, Connecticut's employment levels have stagnated. Over the past 10 years. the number of jobs in the state has fallen by 1 per cent while the US as a whole has seen a 20

per cent increase in jobs. In recent weeks, however, a number of New England casino projects have stalled, hit by a combination of New England puritanism, economic doubts and political infighting. Voters in Springfield, Massachusetts rejected their city's gambling plan last week.

Critics complain that gambling-related jobs pay badly and that the industry's boom will be followed by an equally dramatic bust when the craze wears off. In Bridgeport, they also argued successfully that handing another giant gambling project to the Pequots they had beaten Donald Trump and Las Vegas-based Mirage Resorts for the right to build the casino - would give the tribe too much influence over Connecticut's economic future.

Mr Brown's curt response to the doubters: "A job's a job. I have a lot of people here who used to be vice presidents of banks." And of Bridgeport's industrial malaise, he adds: "Nothing else has worked for the city. I'm not sure anything else could work."



Senator Arlen Specter of Pennsylvania was yesterday on the verge of declaring an end to his quixotic run for the Republican party's presidential nomination.

An announcement, which could come today, follows his failure to win a single vote in Saturday's Florida "straw poll" of party preferences. Mr Spec-ter, a moderate on most issues including abortion, recently nceded he had incurred an unsustainable campaign debt of about \$500,000.

on the far right, Congressman Robert Dornan of California, has also virtually conceded defeat. In a weekend interview he thought the race was now down to Senators Bob Dole and Phil Gramm, the top two finishers in Florida, with the

favourite. It also appears improbable in the extreme that Congressman Newt Gingrich, the Speaker of the House, will enter the contest. He said this week he would make a final decision over the upcoming Thanksgiv-

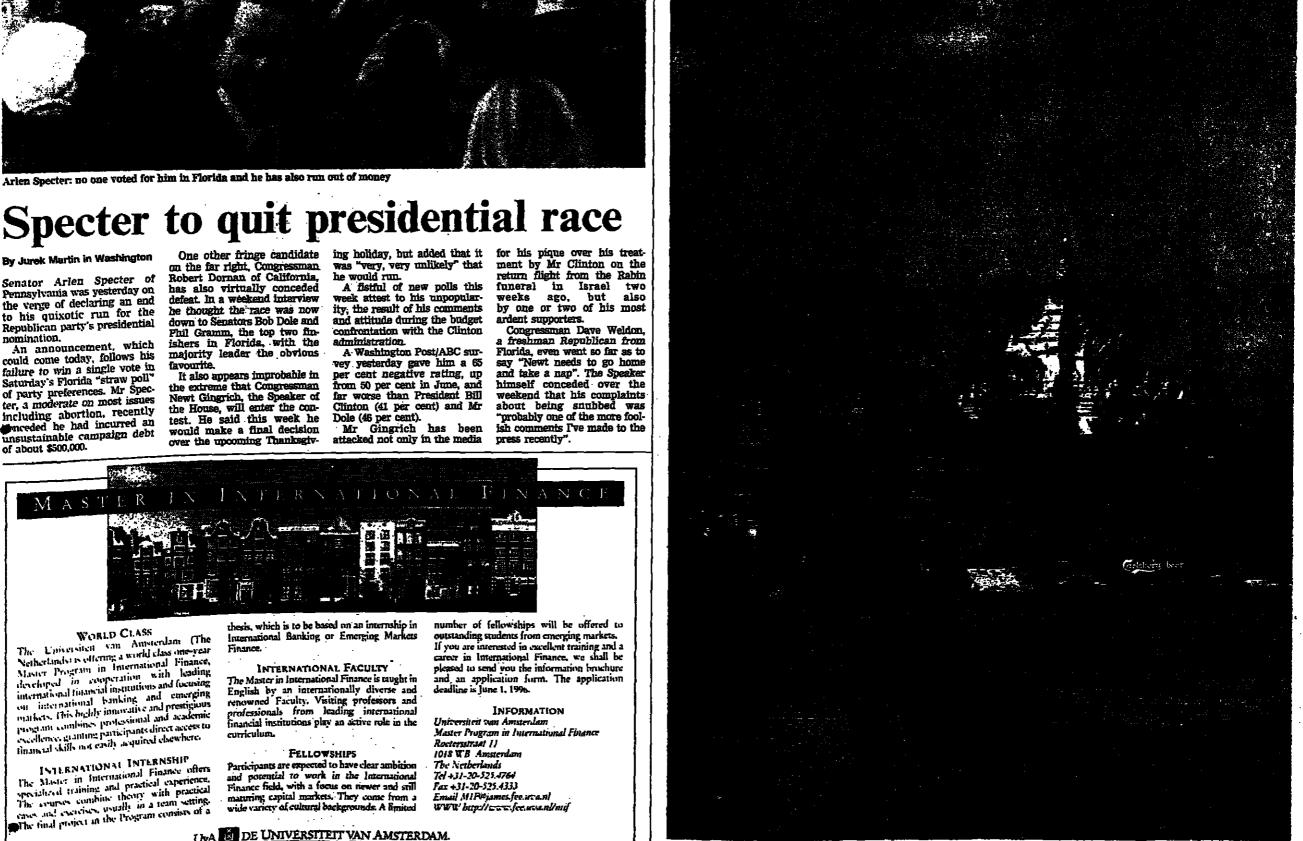
majority leader the obvious

A fistful of new polls this ek attest to his unpopularity, the result of his comments and attitude during the budget confrontation with the Clinton administration.

A Washington Post/ABC sur-

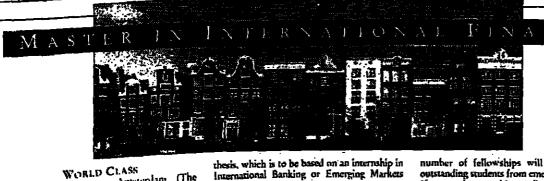
vey yesterday gave him a 65 per cent negative rating, up from 50 per cent in June, and far worse than President Bill Clinton (41 per cent) and Mr Dole (46 per cent). Mr Gingrich has been

attacked not only in the media



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1 backs Chim , ( ) entry



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Peres attacked for taking defence job By Julian Ozanne in Jerusalem

Mr Shimon Peres, Israel's

acting prime minister, yesterday formed a new government. sparking controversy by taking the defence ministry himself.

Mr Peres, who becomes prime minister today when the Knesset ratifies his government, promoted Mr Ehud Barak, 53, a respected former chief of staff, from the interior

to the foreign ministry.

Some Labour party officials said Mr Peres had made a political mistake in his first important decision since taking over from the assassinated Yitzhak Rabin by not giving the defence portfolio to Mr Barak, who was widely seen as the best qualified man and a figure capable of shoring up Mr Peres' poor security image.

They also said the rapid promotion of Mr Barak to the foreign ministry, without any obvious diplomatic experience or expertise, was a snub to other more senior ministers. Mr Barak only joined the government four months ago after However, officials close to community,

Mr Peres said his determina tion to keep the defence portfolio was intended to consolidate his dominance of peace negotiations with Arab neighbours and head off possible opposition by the hawkish Mr Barak.

Mr Peres' aides said Mr Barak could have stymied implementation of the security provisions of the Israeli-Palestinian peace accords which deal with an Israeli troop redeployment in the West Bank.

Officials said Mr Peres was also concerned about Mr Barak's potential opposition to a peace agreement with Syria which would involve a return of the occupied Golan Heights and a series of military confidence-building measures including demilitarisation.

In his reshuffle, Mr Peres promoted three "young Turks" of the Labour party and abolished the economics ministry, viewed as superfluous. He also brought into government Rabbi Yehuda Amital, a dovish religious leader viewed as being able to heal divisions in the country and improve rela-



Acting premier Shimon Peres, right, signs a coalition pact with Meretz leader Yossi Sarid yesterday

Mr Peres said the speedy formation of the new government was aimed at promoting unity and ending the uncertainty after the killing of Mr Rabin. Mr Haim Ramon, 45, the chairman of the Histadrut trades union federation.

47, economics minister, was promoted to minister in the prime minister's office. Mr Peres also considerably strengthened the police ministry held by Mr Moshe Shahal, a close ally of Mr Rabin, after Mr and the cabinet as interior

minister after an 18-month absence and Mr Yossi Bellin, tre right Yiud faction giving him the same minority govern-

ment as that of Mr Rabin.

ignation threat. The police ministry will now be known as ministry of internal security, and will have extra powers. Earlier Mr Peres signed a coalition pact with the left-wing Meretz party and cenLabour Party:
Stimon Peres: Prime Minester
serio Defence
Fuel Bacak Foreign
Anathem Schochel Finance
Haim Farson Interior
Tossi Bellin Minister's Office
Mashe Shahel Internel Security
Ora Name Labour jand welfare
Bring Hash

ISRAEL'S CABINET

York Strid Environment
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and culture
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The pact ensures the coalition the support of 58 of the 120 members of parliament. Mr Peres can also rely on five votes from Arab parties.

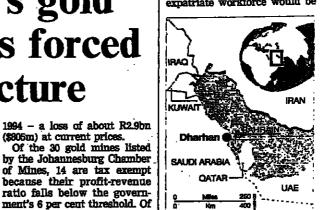
## Mid-America is. alive and well in Saudi Arabia

Robert Corzine visits expatriates a week after anti-US bombing

Force this week swept incessantly across the skies above the country's main oilfields along the Gulf. But just over a week after a car bomb killed five Americans in the heart of Riyadh, the Saudi capital, the mood on the ground appeared anything but threat-

At Dhahran, the sprawling headquarters of Saudi Aramco. the world's largest oil producer, day-to-day life for thou-sands of expatriates and Saudi staff appeared to be little

changed by the blast.
An Aramco official said no special security steps had been taken in the aftermath of the bombing, in spite of speculation among Saudis that the company's facilities and large expatriate workforce would be



natural target for anyone trying to undermine the close relationship between the kingdom and the US.

"Security is not something strange to us," he said. "It's always been a part of Aramco's operations

Certainly the company's main facilities appear well protected. Chain link sensors topped with barbed wire surround storage tanks and other key equipment. Aramco security guards are stationed at most buildings, including the schools that cater to the children of the thousands of western expatriates who help to maintain Saudi Arabia's status as the world's premier oil pro-

ducer. But instead of being warned to watch for signs of terrorist activity, visitors are lectured on the importance of using

their car seat belts. The obsession with road safety is such that guards at the main gate at Aramco's Dhahran camp wear seat belts strapped across their chests as if they were Sam Brown pistol

ornado fighter aircraft of the Saudi Arabian Air Saudi Arabia that will always be a part of middle America. Elm Street and Apple Ave nue cut across housing developments that would not be amiss in the more affluent towns of the American south-west. Aramco radio sta-tions pump out "soft rock" and "easy listening" music, while a nearby US armed forces station

> Some of Saudi Arabia's more draconian rules do not apply inside the camp. Women must still dress "conservatively", says the company. But they need not conform to the strict dress code enforced in the rest

counters with country and

of the kingdom. Women are also allowed to drive. The western style standards are not wholly liberal, however. In a country where smoking among men seems to be mandatory, Aramco's smoking ban in buildings must be one of the more feared forms of western cultural imperialism.

Aramco employees say members of the Mutawa, the Sauc religious police, have grudge ingly come to accept that west-ern and Saudi traditions can co-exist. Some Mutawa members even live in the camp, they say. "But they don't want to create problems," said one Aramco official.

There are some in Saudi Arabia who predict that a wave of anti-Americanism will be unleashed should last week's bombing prove to be more than an isolated incident. That possibility is a concern

to many of the 35,000 or so US citizens living in the country. Although there have been no obvious changes to Aramco's security procedures, ad hoc arrangements have been hurriedly put in place at other US

Pick-up trucks, for example, are now parked across the entrance to the US Geological Survey office in Jeddahl In the absence of more permanent arrangements they are one way to prevent a would-be car bomber from entering the com-

almost eight years, and I've never locked my house or my

was a rude awakening to the realities of the region. But judging by the attitudes in Dhahran, it will take many more such incidents before the pleasant idyll enjoyed by Saudi Arabia's expatriates turns into

## US cuts leave poor 'on the ropes' |S Africa's gold

WATER INDUSTRY ACT 1991 SECTIONS 13 AND 14

PROPOSALS BY THE DIRECTOR GENERAL OF WATER SERVICES

FOR THE AMENDMENT OF THE CONDITIONS OF APPOINTMENT OF

NORTH WEST WATER LTD.

As a condition of its takeover of NORWEB plc, North West Water Group PLC has agreed to the modification of the condi-

The Director General of Water Services (the Director) believes that the modifications are necessary, to enable him to gather

1(a) Probibit payment to the facilities management company (FMCo) in respect of any charging year, of any amount on

At the same time, the Director wishes to ensure that NWT's licensed business is ring-fenced from other activities of North

West Water Group PLC. NWT must not, whether through its involvement in those other group activities or by its dividend

policy, put at risk its ability either to earry out its functions as a water and sewerage undertaker or to finance them. Further

requirements concerning the valuation of the asset and the treatment of the consideration in NWT's accounts;

(i) giving any guarantee of any liability of any company within North West Water Group PLC or

believe that its most recent annual certificate of the adequacy of its financial and manage

probabil the transfer of any asset from NWT to FMCo except with the Director's consent and in compliance with his

require that NWT's dividend policy will not, in the opinion of the Director, impair its ability to finance the proper

NWT to inform the Director as soon as its Board becomes aware of any circumstance which causes the Board to

(ii) that every annual certificate referred to in (i) shall be accompanied by a report prepared by NWT's Auditors and addressed to the Director, stating whether they are aware of any inconsistencies between, on the one hand, that certificate and the statements submitted with it and, on the other hand, any information which they obtained

NWT should have the active cooperation of its owner, North West Water Group PLC, in complying with the conditions of its

(b) require the terms of that undertaking to apply to all other companies within North West Water Group PLC;

(c) require that the undertaking remain in force for so long as NWT holds the Appointment and remains a member of North West Water Group PLC and

(d) require the undertaking to be delivered to the Director not later than seven days after this amendment comes into force.

(i) produce to the Director the original of the undertaking under 6 above and provide him with any certified copies

(ii) inform the Director immediately in writing, if it becomes aware that the undertaking has ceased to be legally-

Any representation about, or objection to, these proposals must be in writing and sent to the Director General of Water

Services. Centre City Tower, 7 Hill Street, Birmingham B5 4UA (Fax 0121 625 1475) so as to be received by him not later than 17.00 hours on Tuesday 2 January 1996. Please quote reference LEG.

(a) require NWT to obtain from North West Water Group PLC a legally-enforceable undertaking in NWT's favour and in a form specified by the Director, that it will refrain from any action which would then be likely to cause NWT to breach any of its obligations under the Water Industry Act 1991 or the conditions of its Appointment as a

appointment and in the proper discharge of its functions as a water and sewerage undertaker. Further modifications will-

The Directors of NWT are already required to certify annually to the Director that the company has adequate financial and

(i) the prices ascertained from market testing carried out by NWT in accordance with arrangements previously

approved by the Director and which have no prejudicial effect on the proper carrying out of the functions of

(ii) if, in the opinion of the Director, market testing is not appropriate, then such proportion of the costs (including a reasonable return) actually incurred by FMCo as the Director agrees is appropriate and

necessary information about the performance of NWT's functions and the costs which it incurs, particularly because NWT intends to purchase, from an associated facilities management company, significant services which hitherto it has provided for

tions of appointment of its subsidiary, North West Water Ltd (NWT), as a water and sewerage undertaker.

require NWT to obtain from FMCo information required by the Director about FMCo's costs.

EXPLANATION OF THE PROPOSALS AND THE REASONS FOR THEM

Maintenance of comparisons with other water and sewerage undertakers

account of services received from FMCo which exceeds

By Peter Norman in Bonn

The International Development Association, the World Bank's soft loan affiliate for helping the poorest developing nations, is facing its biggest crisis because Congress has refused to meet US funding obligations in full. Mr James Wolfensohn. World Bank president, said

Mr Wolfensohn said in Bonn after meeting Mr Carl-Dieter Spranger, the German develop-ment aid minister, that without an effective IDA, "you will have 78 countries literally on

itself. The modifications will therefore-

Ring-fencing of the assets of NWT

carrying out of its functions.

The process of public consultation

(ii) making to any such company any loanwithout the Director's consent an

management resources. Further modifications will require-

during their work as NWT's Auditors.

he repeated in the light of those circumstances;

The role of North West Water Group PLC as owner of NWT

enforceable, or that there has been any breach of its terms.

growth" for the countries, where 1.2bn people live on less

than \$1 a day. Altogether the IDA helped sustain 2bn to 3bn people in economies with a gross domestic product of less than \$2 per

head per day, he said. Congress intends to cut US contributions to the IDA to \$700m a year from \$1.25bn. Mr Wolfensohn said this was creating problems for aid pro-grammes this year - the third of the current 10th tranche of the IDA - and uncertainty about the outlook for the 11th

The US has traditionally

been the biggest source of funds for the IDA, supplying about a fifth of its needs. But Mr Spranger pointed out that it was already \$1.6bn in arrears to IDA-10. Even if the US paid the \$700m planned by Congress for this year, the IDA would still be \$900m short of funds. The congressional proposals would leave the IDA short of

\$2.7bn over the life of IDA-11. Mr Wolfensohn said the situation would be worse if other countries exercised their right to curtail their subscriptions in Funds supplied by the associ-

ation were the "most impor-tant element in projections of the IDA which is being negoti-ated among donor countries. for the IDA would be nearly halved to about \$3.5bn a year from \$6bn, creating "an enormous blow to its activities". Mr Wolfensohn said he hoped that the Congress would develop a less inward-looking attitude and eventually approve the funds. Mr Spranger said Germany favoured a significant 11th replenishment of the IDA, but like most other donor countries was not pre-

pared to make up any shortfall of funding caused by the US.
"It must be made clear to all, including the developing countries, who is responsible for the under-financing of IDA," Mr

## producers forced to restructure 1994 – a loss of about R2.9bn

Freegold mines of South Africa, the world's biggest gold producer said yesterday it would axe 3,450 jobs over the next six weeks in the latest stage of an industry-wide restructuring.

The company, controlled by Anglo American Corporation, also said it would reduce out-put at two of its 28 shafts by 40 per cent. Further cuts were likely in a drive for profitability in all areas of production, the company said.

Hours later, Anglovaal Minerals, another mining house, said the Village Main Reef gold mine, in which it has a 38 per cent interest, could not retain a break-even position beyond next month. The mine would close at the end of the year, with the loss of 157 jobs.

South Africa's gold production is at its lowest since 1958. Rising costs, stagnant prices, a deterioration in the quality of ore at older mines and fierce competition from more efficient mines in the US, Canada and Australia have taken their toll on an industry which in 1980 produced 70 per cent of the world's gold.

Its share last year fell to 27 per cent after political instability and days lost during the first democratic elections hindered output. This year has been worse, with total output more than 10 per cent down on

(\$805m) at current prices. Of the 30 gold mines listed by the Johannesburg Chamber of Mines, 14 are tax exempt because their profit-revenue ratio falls below the govern-

these, seven are loss-making. Working profit per kilo has fallen 37 per cent in the first nine months of this year, while working costs have risen 19 per cent. Yet gold is still South Africa's largest single earner of foreign exchange.

Mr Roger Baxter, economist at the Chamber, said the main issue was "vulnerability". With prices stable at about \$387 an ounce, South Africa was "not competing on price but on cost". It faced extrac-

tion costs about 25 per cent more than in the shallower mines of competing countries, due in part to a prohibition on Sunday working, and a recent increase in the number of public holidays to 12. The government may make

some exceptions this year for unprofitable mines. At least one gold mine earmarked for closure has become profitable since adopting full calendar working. The keen sense of crisis in the industry has prompted negotiations with unions to secure flexible working conditions and improved productivity. Mr Baxter pre-dicted round-the-clock operations by late 1996. See Commodities page

belts.

## a nightmare on Elm Street.

## Kazakhstan sells off steelworks

steelworks to British-based Ispat International in the bigest outright sell-off since independence in 1991, Reuter reports from Alma Ata.

The deal ends a saga in which Karmet, the second largest steelworks in the former Soviet Union accounting for 10 per cent of Kazakh gross domestic product, was man-

Kazakhstan said yesterday it aged by two foreign groups had sold the huge Karmet fired for failing to meet financial targets.

Mr Nigmatzhan Isingarin, first deputy prime minister, said the privatisation marked the start of a new phase in Kazakhstan's plans for fundamental company reform.

"This is part of our economic reform, the main task of which at this stage is to restructure enterprises," he said.

Karmet's entire assets have been transferred to a new ioint-stock company called Ispat Karmet, wholly owned by Ispat International, after it won a four-company tender.

Under the agreement, Ispat International, owned by Mr Lakshmi Mittal, an expatriate Indian, must pay for 60 per cent of the acquisition within one year. No price was disclosed. It must also cover

immediate debts worth \$50m. wage arrears of \$11m and other debts incurred over a month of state management

Ispat Karmet must also increase production in 1996 by 30 per cent, a target which Mr Johannes Sittard, general director, said could be exceeded. Monthly output at Karmet was about 220,000 tonnes, about half the steelworks' capacity.

## EniChem Società di Partecipazioni

Invitation to offer to purchase Lamitel SpA and its 100% owned subsidiary MC Electronic GmbH which operate in the business of laminates for printed circuit boards (PCB)

EniChem Società di Partecipazioni Srl, registered with the Millen Court, Companies' Registry no. 276869, entirely owned by EniChem SpA, intends to receive and evaluate offers for the acquisition of Lamitel SpA.

Lamitel SpA and its subsidiary MC Electronic GmbH produce and distribute laminates for the printed circuit board electronic industry (in line with FR4 specifications) in two plants based in Pisticci (Matera-Italy) and Enns (Line-Austria); MC Electronic GmbH also produces ninates for the PCB industry.

In 1994 Lamitel achieved a consolidated total sales result of approximately US\$ 56 millions. The total worldorce was 300

For the purposes of this transaction EniChem Società di Partecipazioni Srl has engaged the services of the IBM Consulting Group, to whom interested parties should direct any enquiries. The relevant persons at IBM Consulting Group can be contacted at the following address: IBM Consulting Group

Circonvallazione idroscale 20090 Segrate, Milano - Italy Tel. +39.2.596.24910 Fax +39,2,596,29027 Michele Merzola, Managing Director: tel. +39.2.596.22922 Luigi Tonduti, Principal: tel. +39.2.598.25996

This announcement is directed to limited liability compar Combined offers by more than one party will not be considered. erested parties should register their interest in writing with IBM Consulting Group not later than December 1st, 1995, by letter or fax, and apply for an information memorandum specifically prepared for the sale.

. EniChem Società di Partecipazioni Srl reserves the right, at its sole discretion, to refrain from providing the information memorandum to any interested party. The information

memorandum will be sent after a confidentiality agreement has been validly signed by a legal representative of the company, duly notarized by a Notary Public, and returned to the IBM Consulting Group no later than December 17, 1995. Together with the confidentiality agreement, interested parties must send a copy of their own financial statements of the last three years, a description of their activities and of the industrial and economic rationale for the investment. Brokers or agents of any kind must disclose the identity of the company they represent. This represents an invitation to offer but does not

represent a public offer ex art. 1336 of the Italian Civil Code and according to art. 1/18 of the law 216/1974 and tubsequent modific ations. Neither this invitation, nor the receipt of any offers by EniChem Società di Partecipazioni Sri will create, with respect to EniChem Società di Partecipazioni Srl, any obligation or commitment to sell to any bidder and, with respect to any bidder, any right to

demend any performance whatsoever by EniChem Società di Partecipazioni Srl (including, without limitation, the payment of any brokerage or advisory fees or expenses). EniChem Società di Partecipazioni Sri also reserves the right to terminate at any time and without any reason or explanation whatsoever any and all discussions regarding the possible sale of the companies, the assets and the

Whilst every reasonable effort has been made to ensure that this announcement accurately reflects the Italian text of the announcement appearing in "Il Sole 24 Ore" and other Italian

newspapers, on November 22, 1995, in the event of any discrepancy the Italian text shall prevail. This advertisement and the sale procedure are subject to Italian

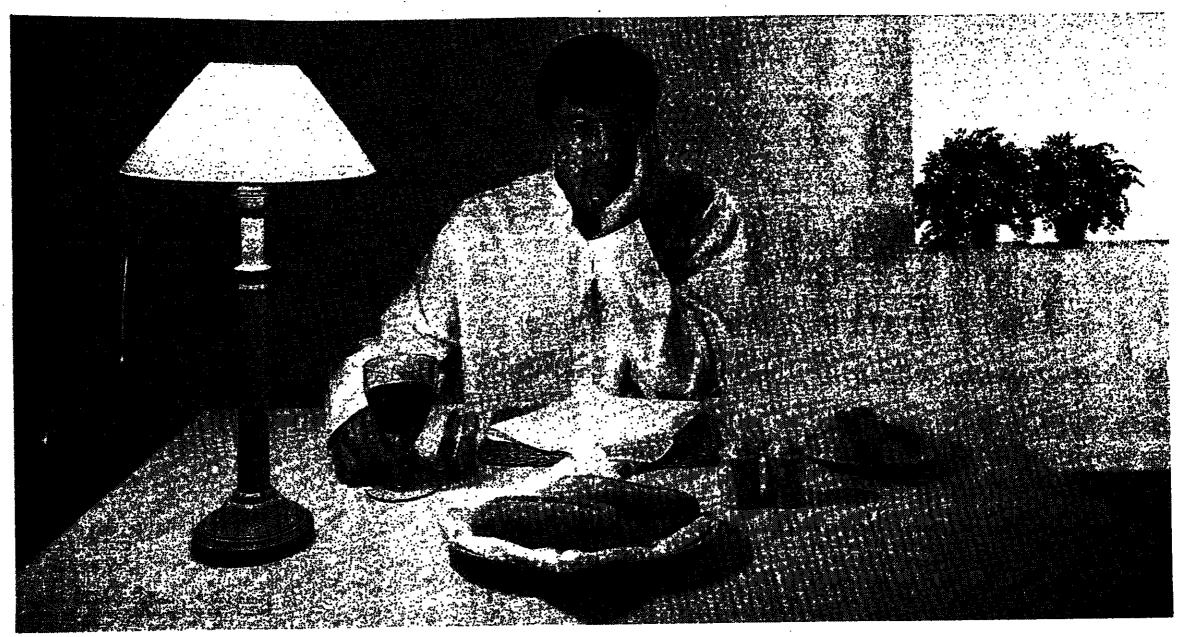
law. In case of controversy related to the above, the Court of Milan (Italy) shall have sole jurisdiction.

"It never really felt like I was in the Middle East here," sale Mr George De Meglio, the head of the mission. "Tve lived here

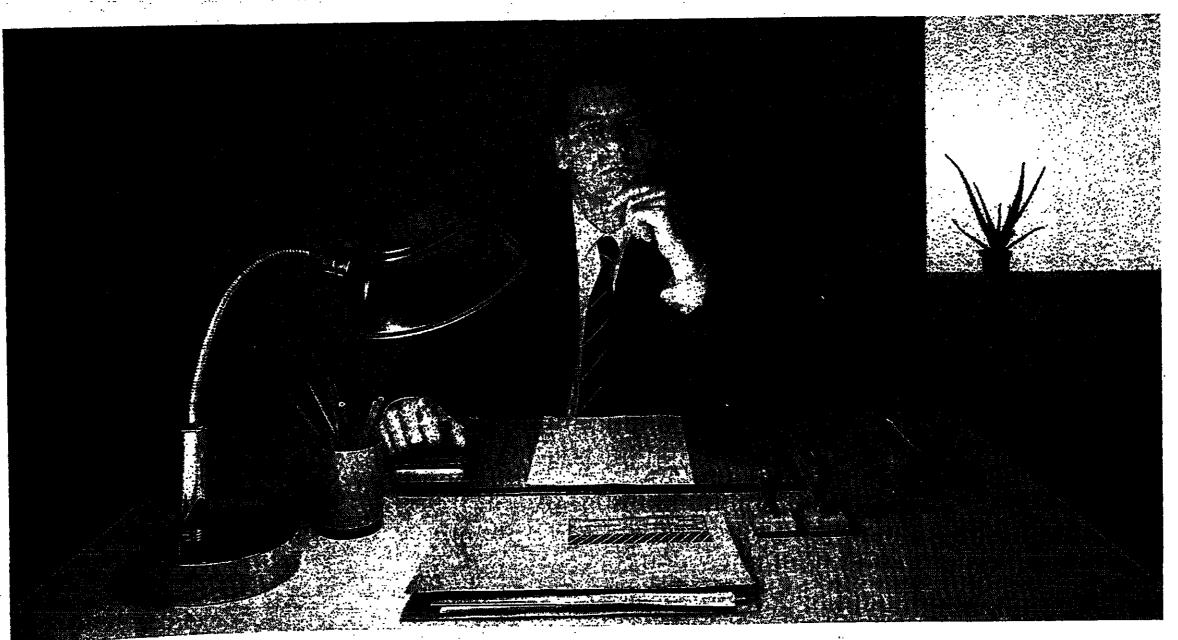
The Riyadh bomb, he admits,

FINANCIAL TIMES WEDNESDAY NOVEMBER 22 1995

# If you want to smoke who should you ask?



Someone in the same room?



## Or someone who isn't?

With courtesy and consideration, smokers and non-smokers can and do work it out for themselves.

## Philip Morris Europe S.A.

17,000 employees in Europe serving Europe's 97 million smokers.

For information on how smokers and non-smokers can accommodate each other, please write to Philip Morris Corporate Affairs Europe, Rue Joseph II, 166-1040 Brussels, Belgium.

lenders.

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plans to re Bombay

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gy to the section

## French group to invest \$220m at N Ireland site

Britain and Ireland receded

last night as differences over

the peace process remained

unresolved, John Rampiner

a 40-minute telephone conver-sation between Britain's Mr

John Major and Irelkand's Mr

John Bruton "roadblocks

remain". The conversation,

their first for several weeks,

was described as wide-ranging

The leaders have asked

advisers to try to iron out the

difficulties and they plan to talk again within 48 hours.

Northern Ireland "is a major

part of a series of strategic

product development partner-ships we are forming with

major car makers to ensure the

continued profitable growth of

The factory manufactures

Ford, and wheels for Peugeot

and Renault. Under the expan-

sion plan the company will

for the Volkswagen Audi

the site used by Mr John de Lorean, the US entrepre-

neur whose luxury car project

closed in October 1982 with a

loss of £50m of taxpayers

money. The French company

currently employs 450 people - somewhat below its original

target of 900 thanks to the

However by 2001, the com-

pany expects to have created

Montupet set up in 1989 on

Officials said that in spite of

By John Murray Brown in Belfast

Montupet, the privately owned French car components company, is to create 1,360 new jobs over the next six years in a £142m (\$221.5m) expansion of its Belfast plant, in the largest investment for Northern Ireland since the paramilitary ceasefires last year.

Sir Patrick Mayhew, chief minister for Northern Ireland in the British government, said the deal was the "biggest and most significant" investment since the Irish Republican Army and pro-British terrorists ended 25 years of violence. It was "a clear indication that the ceasefires have removed the single major obstacle to substantial new levels of inward investment," he said. The government-run Industrial Development Board is support-ing the project with a £57m

The IDB is understood to be preparing to announce a total of 2,000 new jobs in the province in foreign and local companies in the next week ahead of the visit of US President Bill Clinton on November 30.

The expansion of Montupet's Dunmurry plant - Europe's largest independent aluminium foundry – will be a major boost to the largely nationalist West Belfast area blighted by a 30 er cent unemployment rate. half of whom have been out of

work for more than 3 years. Montupet, which outside France has plants in Canada and Spain, went into profit at its Ulster operation for the first time last year. In spite of sluggish world car sales, the company says the uses of alumin-

ium are increasing Mr Stephen Magnan, the

The economy Sharp decline in exports to North America reverses earlier trend

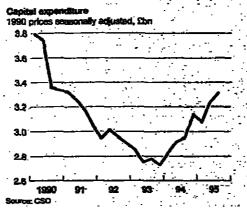
## Trade gap with non-EU countries widens

Britain's trade deficit with countries outside the European Union deteriorated sharply last month to its widest level since records began more than seven The prospect of a meeting years ago, official figures showed yesterday. between the British and Irlsh The Central Statistical Office prime ministers ahead of US President Bill Clinton's visit to blamed record levels of imports

and a sharp fall in exports as activity in some of the UK's main trading partners remained weak. The surge in exports to North America, which caused a narrowing of the deficit in September, was reversed last month. Exports to North America fell by 13 per cent in October.

Part of the deterioration in the trade gap was explained by a worsening of the deficit in oil. But the deficit excluding oil and erratic items - which was a seasonally adjusted £951m last month - was also at its widest level since records began. The CSO said the deficit including oil and erratic items was £1.2bn last month, compared with £0.7bn in Septem-

The value of exports was £5.3bn last month, a fall of 7 per cent from September. This was due to a fall in exports of Stockpiling casts shadow over manufacturing investment



Manufacturing investment in the third quarter

The Treasury said, however

that the upward trend in exports was continuing. In the three months to October exports rose 4% per cent, while

ing investment was 2 per cent higher in the third quarter than in the second quarter of the year and 12 per cent up on a year earlier Officials said that the growth in imports was due largely to goods rather than consumer goods, which suggested that

from £377m to £633m in Octo-

The CSO said that two-thirds of the increase in the deficit in the three months to October could be explained by a 20.4bn change in the balance of erratics, most of which is down to a surge in silver bullion, mainly

from North America. CSO statisticians said that their estimates of the long-run trend in both value and volume terms show imports have been rising faster than exports.

Some economists said that UK exports were likely to remain sluggish in the coming months because of generally weak economic activity in other countries, which reduced the demand for British goods. A survey suggested yesterday that British consumers are more cautious in the run-up to this Christmas than last.

A survey of 1,100 adults by credit company Barclaycard found the average people were planning to spend at Christmas was £323. This was slightly There was also a large jump in imports of food, drink and tobacco – the deficit widened lower than last year's £325 -the first annual drop recorded since the survey started in to £136m last month from £76m

But Barclaycard said its experience over the last year suggested consumers are spending more than they plan.

at Ford divided on pay offer

By Robert Taylor,

Manual workers at Ford, the British subsidiary of the US carmaker, appear to be divided over whether to accept or reject the company's "final" 9,25 per cent minimum two year wage offer.

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Workers

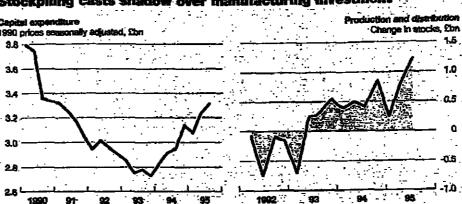
Shop stewards from Ford 13 British plants who will meet in London today may tive ballot of the company's 22,000 workforce. The package on offer will provide a 4.75 per cent basic rise from this month and 4.5 per cent or the inflation rate plus 0.5 per cent next November.

But privately union officials are increasingly concerned at the apparent lack of enthusiasm for opposing the deal comat Halewood in north-west England and at Bridgend and Swansea in South Wales who employ nearly a third of the UK workforce. A number of smaller plants are also the company's offer.

Some senior union officials believe that if today's reportback reveals substantial support for acceptance of the offer the unions should at once sign a new two-vear deal.

Unlike at Vauxhall, where an overtime ban is due to begin from next Wednesday. no such move will be made at

Union negotiators at both car companies want a cut in the working week of two hours, but neither has been prepared to concede any move on that part of their demands. Ford and Vauxhall are work ing together and taking the same position by standing firm against any cut in the working week", said a union



years, official figures showed yesterday. But the rise in manufacturers' woold stocks in the third quarter was the largest for almost 19 years. Unexpectedly heavy stockpiling of computers in the run-up to Christmas and a rise in

capital goods, the CSO said. Imports on the other hand were a record £6.5bn, 11/2 per cent more than the previous

companies were importing Mr Alex Garrard, an econo-

mist at UBS, said: "Strong last month from £16m in Sep-growth in capital spending in tember. The deficit of semi-

## Earl's restaurant bill aims for tip-free tab chairman of Harry Ramsden's,

the amount of finished goods held by the chem-

icals industry were mainly responsible for the

rise. Economists said the figures painted a

mixed picture for future growth. Manufactur-

the manufacturing sector has fuelled import volumes."

The deficit of semi-manufac-

tured goods widened to £97m

the Leed-based chain which

serves fish and chips, bread

and butter and tea for £5.25

(\$8.20) - excluding service -

A restaurant-owning member of the House of Lords is proposing to wipe service charges off the menu. The Earl of Bradford yester-

day introduced a private member's bill aimed at ending tipping, cover charges and service charges in restaurants.

Lord Bradford, who owns Porters, a restaurant in Lontipping "outmoded" and said it was "ridiculous to bribe some one for giving you food." It operated as "legalised beg-

ging in some restaurants, he said, and called for eating establishments to provide service in the same way as other retail businesses. "You would not go into a shoeshop and tip the staff - why should a restaurant be any different?" Many restaurants stipulate

an "optional" service charge on the menu but then add it on service charge optional, the restaurateur is not liable for value added tax and national insurance contributions on the service charge part of the bill. Lord Bradford's bill would require restaurants to include service and tax in the price of each item on the menu and for menus to state: "Our prices are fully inclusive and our staff do not expect a tip or gratuity." It would also eliminate cover charges and require credit card

opposed the Earl's proposals. He believed an optional service charge encouraged good service and said restaurants might take the money as increased margin and not give the staff anything. slips to be filled completely.

The British Hospitality Association opposed legislation and said the decision should be left to the restaurant. "Providing

the proprietor makes it clear that the service charge is levied or is included in the price, we would not like to see legislation outlawing it."

However, the British Tourist Authority and the Consumers "Confusion about whether you can refuse to pay a service charge is rife," said the Association. "The answer is for menus to be written on the what you see is what you pay principle, with all inclusive

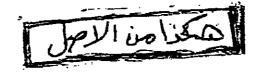
around 2,300 jobs, providing car parts to European and US to the final bill. By making the O STARTS OR EXPAND A. collection vou could scan and dealers around the lobe, betriend distinguished historians and curators, study the marker fluctuation in Impressionist painting, gauge the one the family trust, and exact comings an La La lette au Chape

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#### **NEWS:** UK

# Names are urged to lower expectations

By Jim Ketly, Accountancy Correspondent

Names at Lloyd's of London were yesterday told that they expected too much from the \$2.8hn (\$4.4hn) settlement offer designed to give the market a

new life after years of costly litigation. An independent committee set up to work out how to distribute the settlement among the market's 34,000 Names individuals whose assets have traditionally supported the insurance market - said it was worried that "expectations of thus the settlement are still higher off.

viewers - more than 20m peo-

ple - watched the Princess of

Wales' interview on Monday, but it was uncertain if that fig-

Prince Charles, yesterday visiting the fishing port of Newlyn in south-west England,

was greeted by a throng of

A reporter shouted from the crowd, asking if he had watched television last night.

The Prince, probably assuming

the reporter worked for the

BBC, turned straight-faced and

The interview was a ratings

triumph for the BBC and pul-

replied: "Not yours."

ure included her husband.

Power demand

surges as Diana

A record number of British opera EastEnders and even

show goes live

than can be achieved with the funds available".

The settlement is a key part of the plan to create a "new" Lloyd's next spring by transferring heavy liabilities into Equitas, a new reinsurance com-

LLOYD'S OF LONDON pany. Names would be asked to drop numerous legal actions against Lloyd's agents, who run underwriting syndicates, in return for having large chunks of their debt written

more than the rival commer-

cial network's most popular

draw, which is watched by

nearly 12m people, was also

National Grid, Britain's

state-owned electricity distrib-

utor, reported a massive upsurge in demand surging to

1,000MW at the end of the pro-

gramme - the equivalent of

300,000 kettles being switched

sion interview last year.

easily eclipsed.

The weekly National Lottery

programme Coronation Street.

Shr Adam Ridley, the chair-man of the committee, said that with current funds there was no certainty that the plan could deliver help for the hardest hit Names and bring an end to litigation. "A big heave is still needed," he said. He also stressed that this was only an interim report and that an

The parties in this kind of negotiation are often a long way apart until they are Mr David Rowland, chairsurprised that the committee

agreement was not impossible.

that the final offer would exceed £2.8bn.

The report forecast that total losses for Names since 1988 would amount to £11.4bn by next spring - a figure which included the cost of the Equitas premium.

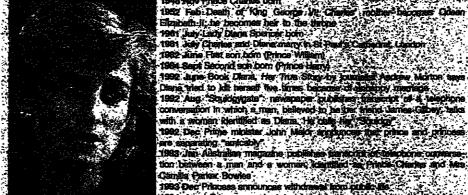
Mr Robert Miller, speaking for the Association of Lloyd's Members, said: "Names should lower their expectations. There is a lot of distress still to

The document discusses sevman of Lloyd's, said he was not eral ways of distributing the settlement. It favours allocating debt credits in three £400m

leave 20 per cent of Names with no bills to pay, 50 per cent able to meet their bills from some or all of their funds at Lloyd's, and 30 per cent with bills greater than their funds at Lloyd's.

The committee hopes to be able to cap the bills faced by this final category. It mentions the sum of £50,000 - but only on the basis that more money is put into the settlement. While no member of the working party would comment on how much more was needed, it is understood to be about

# was seeking further funds but A self-styled /queen of people's hearts' 1949 More Prince Charles born 1952 Feb Death of King George Mr. Charles' mollines' becomes One Elizabeth-Ir, he becomes her to the strone 1961 July Lady Diagn Spercer born 1961 July Charles and Diagnamany in St Paul's Carbadrat, Capton 1962 June First son born (Prince William) 1962 June Book Diarra, the True Stray-by Journals Agadese Morton to Diagnamed to lide ternell five times because Strategy meetings 1962 Aug. Strategypate' neverspaper publishes planearing of a Melohy conversation in which a man, believed to be see their drames Gibber, but with a momen identified as Diarra. He take the Strategy 1962 Dec Prinje minister John Melon anadopous that prince and prince are separating, surjectibly



1995 March Mrs Parker Bewles and har husband divorce 1885 Nor Princess breaks royal protocol by arranging revening interview with BBC Temporation

That was nearly 50 per cent up on Prince Charles' televitelevision history here," said a spokeswoman for the Austra-lian Broadcasting Corporation, the Royal couple's wedding in 1981 drew anywhere near the same interest among Austra-Across the globe it was a which screened it around a country renowned for its love

tion between a man and a woman identified on more years upon Gamilia Parter. Bowlee

1993 Dec Princess announces withdrawal loca publication

1994 June Princes says in television against the local princess after marriage breakdown interpreter doublest later

Princess Diana Confessing on TV Identifies the other woman as Mrs Parter Bruffes

1994 Oct Book Princess in Love says princess had after with Major James Hallett bet constructing instructor

1994 Oct Book Princess in Love says princess had after with Major James Hallett bet constructing instructor.

lian viewers. The Australian corporation,

programme from the BBC for a bargain A\$75,000 (US\$55,000) under their long-term links, repeated the entire interview in peak evening viewing time

## Nigerian visa may be cancelled

**UK NEWS DIGEST** 

Aides of Mr John Major, the prime minister. admitted that the Nigerian attorney-general entered Britain at the weekend in spite of European sanctions against the regime of General Sani Abacha. The UK Foreign Office said it was considering cancelling the visa of Mr Mike Aghamuche, the man responsible for the justice system which sentenced Mr Ken Saro-Wiwa and his colleagues to death. Mr Major said in the House of Commons that he was unaware of the visit by Mr Aghamuche and a Nigerian legal adviser.

The Foreign Office said Mr Agbamuche was a civilian member of the Nigerian government and not subject to visa restrictions on military members of the regime imposed by the EU in 1993. It said the visa was given to the justice minister before the rules were extended civilian members of the regime by the EU foreign affairs council on Monday. "We are talking to the Home Office who are responsible for immigration to see if there is any way we can cancel or withdraw visas already issued, the Foreign Office said.

George Parker, Westminster

#### Company meets minister about aid plea

Interconnection Systems, the British circuit board manufacturer, met Mr Tim Eggar, the industry minister, to discuss the level of grant aid it would require to site a new plant in north-east England. The company, which already has one factory in the region, is considering whether to site a £140m (\$218m) expansion in the UK or mainland Europe. The meeting signifies a significant change in the company's tactics. Until this week it had indicated that its favoured UK location for the factory was central Scotland. However, the company has indicated that the frontrunner for the plant, which could create 1,000 jobs, is the Andalucia science park in Málaga. Snain.

Interconnection Systems, one of Britain's fastest growing technology companies, is thought to be no longer pursuing the Scottish option on the grounds that a second plant in north-east England would be easier to manage and more cost-effective.

Chris Tighe and Peter Marsh

#### Policy for transport in London changes

The government is to publish plans for an integrated transport strategy for London in the spring, reversing its previous policy of allowing the different methods of transport to operate independently. Sir George Young, transport secretary, said the strategy docu-

ment would build on recent proposals from London First, a consortium representing business and public sector organisations, and from London Transport, which runs the underground railway. London First recommended a £23m (\$36m) action programme to improve transport in London over the next 15 years. It criticised a lack of forward thinking in planning London's transport system which, it said, was putting at risk its position as a world city. it urged early work on several large investment projects in the capital.

• CrossRail, a project to build an east-west main rail link under London, could be scrapped to allow the smooth privatisation of Railtrack, the state-owned company which owns much of the infrastructure of the national network.

It emerged yesterday that the uncertainties involved in the CrossRail project, which requires a deep tunnel through some of the most congested parts of underground London, could have a significant impact on the finances of Ralltrack in the run-up to its flotation, according to a confidential government

Charles Batchelor, Transport Corresponden

#### Professionals fear skills are outdated by technology

Most British professionals feel that their skills have been outdated by new technology, says market research for the TSB bank. They believe they are no longer guaranteed a career for life and say technology has brought longer hours and new demands from employers. Almost three quarters of the professionals surveyed - including lawyers, doctors and teachers - said they were under greater pressure than five years before to upgrade their skills

in fields such as information technology.

Advances in office technology have not led to shorter working days. Two thirds of the professionals surveyed said they worked more hours than they had five years previously. Sixty per cent said this put strains on their family life. Krishna Guha, London

#### Workplace fatalities decline to record low

The number of people killed in workplace accidents fell to a record low last year, said the Health and Safety Commission. There were 283 fatal accidents, the lowest annual figure since records began in the last century. There were 296 in 1993. But the number of self-employed workers killed in workplace accidents increased last year. There were 73 fatal accidents to self-employed workers in Britain in the 12 months to March this year compared with an average of 62 a year over the previous three years. A significant increase was recorded in agriculture - where numbers of inspectors have fallen.

Lisa Wood, Employment Stoff

Devil in discuise: An alcohol watchdog issued a warning about increasingly fashionable alcoholic colas and lemonades. "We are convinced that these new alcoholic colas and lemonades are a cynical attempt by the drinks trade to hook young people on alcohol," said Alcohol Concern director Mr Eric Appleby.

#### led in more viewers for the cor- similar picture. "It was the poration than its popular scap most watched programme in of scap operas. Ironically, only which bought the one-hour last night. MPs are told how to increase scrutiny of EU spending

By Robert Shrimsley at Westminster

A private memorandum by the government machine's accountancy watchdog has advised MPs that they can step up their scrutiny of spending by the Euro-

Sir John Bourn, whose full title is comptroller and auditor-general, has told MPs on the public accounts committee of the House of Commons that there are several ways in which they

EU spending. The MPs are particularly include more examinations of European keen to attack waste and fraud which last year cost the EU £421m (\$657m) out of an annual budget of £72bn. His advice to the MPs follows pressure from Eurosceptics in the governing Conservative party for the committee to be given a greater role in scrutinising EU

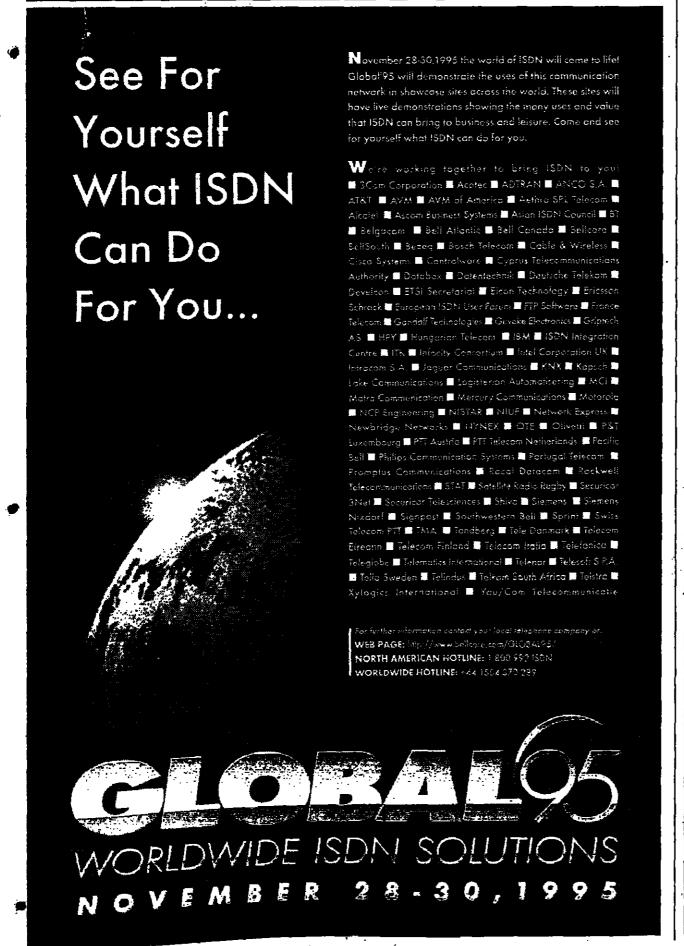
Sir John stated that the committee has already has enough powers, but can make far greater use of them than it can increase their attempts to monitor has so far. "The committee could

programmes focusing for example on the arrangements for preventing and detecting fraud and irregularity," he

He also suggested it could undertake "more reviews of the action taken on European issues as a result of previous committee recommendations. These could be followed up by in-depth examinations where this is considered appropriate". The National Audit Office, the independent spending watchdog run by

Sir John, is also examining ways of running joint investigations with the European Court of Auditors - the central body charged with monitoring EU spending. MPs on the committee may consider Sir John's advice next month. Among possible actions available is asking members of the European Commission to give evidence before the committee on how they are tackling waste and frand.

Editorial comment. Page 15



## PARIS-NORD VILLEPINTE **EXHIBITION CENTRE**



#### THE HUB OF THE BUSINESS WORLD, EXHIBITIONS IN THE FIRST HALF OF 1996

S.I.P.P.A. 12.01 - 16.01

maison&objet Pass, Mic, Moving, Parallèle, Arts Cuisine, Scènes d'Intérier The Home Decoration, Giftwan 12-01 - 16-01

> JOUET International Toy Fair 25.01 - 29.01 CONFORTEC

**INTERNATIONAL** 29.01 - 01.02 **EXPOBOIS** 

nternational Exhibition of Woodworking Machinery Manufactures and Timber Industries 09.02 - 13.02 LES SESAMES re to meet Educational Advisers, Schools and Professionals

20.02 - 23.02 EUROPAIN Workl Bakery, Patisserie and Catering Exhibition

24.02 - 28.02 INTERGLACES ational Trade Fair of Technics

24.02 - 28.02 INTERSUC

of Ice Cream and Ices

International Confectionery, Chocola Bisquit, Pastry and Fine Food Trade Exhibition 24.02 - 28.02

INDIGO Exhibition for Creation and Design for Fashion and Decoration 08.03 - 11.03

PREMIERE VISION tional Professional Exhibition for Apparel Fabrics

08,03 - 11.03 MIDEC ional Shoe Fashion - Pari

10.03 - 12.03 **HOPITAL EXPO** 

25.03 - 29.03

MECANELEM-MECATRONIC International Exhibition of Mechanical, Hydraulic, Ott-hydraulic, Preumatic, Electric and Electronic Power, Drive and Servo Components and Systems for Design, Manufacture, Integration

and Maintenance 25.03 - 29.03



THE ESSENCE OF THE BUSINESS WORLD

SITL International Week of Transport and Logistics 26.03 - 29.03

GRAPHITEC Exhibition for the Print Trade 26.03 - 30.03

**MACHINE-OUTIL** mational Exhibition of Production ment for the Mechanical Industries 15.04 - 20.04

INTEROUTIL International Exhibition on Cutting/Shaping Tools for Metals, Plastics and Composite Materials 15.04 - 20.04

**EURO ASSEMBLAGE** International Exhibition on Industrial Assembly Machines. Equipment and Components 15.04 - 20.04

**EUROFOUR** International Furnace and Industrial Heat Equipment Exhibition 15.04 - 20.04

INTERQUALITE International Exhibition for Quality Management Tool-15.04 - 20.04

INTER SELECTION The International Fashion Rendezvous for Large Retailers



21.05 - 24.05



LONDON WZ 6RE



# Green crusader

awyer Martyn Day has brought fear to British American style aggressive litigation on behalf of people who have suffered from the effects of

At the age of 38, he has estab-lished himself as the legal scourge of polluters and is in a position where he could begin to pursue companies based in other European

"The opportunity in law exists in all the member states," says James Cameron, a UK barrister and director of the Foundation for International Environmental Law and Development. "There will be more opportunities when the EU confirms its policy on civil liability for environmental harms. If Day got to grips with EU law he would have a great opportunity to export his ser-

This is how Day works. First, he tracks scientific and legal develop-

'Martyn is first and foremost a politician. To him the law is politics by another means' says an opponent

ments, especially in the US, attending legal conferences there and spending hours studying the legal and scientific press. He has built up a loyal support staff, most of whom hold both scientific and legal qualifications and can understand the implications of dry technical findings published in obscure academic journals. When a causal link is made between physical harm and, say, a certain industrial practice, he looks for clients on whose behalf he

sues the company for damages. This well-established business in the US, where lawyers can bring cases on a no-win no-fee basis, has been adapted by Day for the British legal system: he finances all his cases on state-provided legal aid He has a mass of work in the pipeline, including high-profile cases against water companies, for the harm caused allegedly from sewage discharges, Rentokil for alleged damage from wood treatments and the electricity industry for the alleged effects of electromagnetic radiation.

Even if he wins all his cases he will not be rich because, unlike in the US, he is not allowed a share in the compensation payments. His firm earns only the fee prescribed by the legal aid system.

Day may have been profiled in the legal press and portrayed in a drama-documentary by a leading actor, but there is no material evidence of his success. He wears supermarket suits and his office is at the less fashionable end of one of London's least attractive roads, behind a door covered in diesel dust and up creaky stairs with black tape covering bits of worn carpet.

Day differs from most other environmental lawyers in the way that he identifies closely with his clients and the environmental cause. "I'm not the kind of person who can leave his heart at home. I want to do work that I can be proud of," he says. He and his business partner, Sarah Leigh, have built up the leading firm of environmental and medical negligence lawyers in the UK.

They take on difficult cases in the hope of getting justice for their cli-ents, changes to industrial practice and improvements in the law. They earn about a third of the amounts taken home by their fellow lawyers in the big commercial firms.

"Martyn is first and foremost a politician. To him the law is politics by another means," says Paul Bowden, a litigation partner and head of the environment group at Freshfields, one of the UK's top commercial law firms and Day's opponent in two major nuclear case

Freshfields advised British Nuclear Fuels when it was sued by Day on behalf of leukaemia victims allegedly affected by radiation on their fathers' sperm. The court case



took eight months and cost the taxpayer around £10m.

Day lost, but is unrepentant: "We were not wrong, another judge, another time and we could have won it. The key thing for me is that these cases put industry on its toes, it gives more weight to the individual and that's important for soci-

Day courts publicity to promote his cases. "Publicity and the media is the sea that keeps Martyn's ship afloat," says Bowden Day is particularly adept at keep-

ing buoyant and very good at using the media to further his aims. For example, he upset the legal estab-lishment when he advertised for clients in newspapers near the nuclear plant of Sellafield. He did the same in Liverpool,

where he was searching for people who had contracted smoking-related diseases. He attracted hundreds of potential clients and the resulting publicity brought in more. "I think he dreams up these cases in the bath and then goes out and finds a plaintiff," says a solicitor who accuses him of ambulance

Day's opportunism is kept firmly in check by the legal aid system, however. To get state backing for the case he has to make a reasonable argument to the legal aid board, which he has done repeatedly and with great success.

Day's work can be seen as cam-paigning, but he has sharper focus than campaign groups. Having a few protestors drape a banner from your chimney stack or block your outfall pipe is irritating, but when some lawyer with a conscience is clever enough to use the system to burrow into the heart of your company and drag you through the courts, something has to be done.

The easiest option – especially for pragmatic business people – is simply to change, which is what compenies do if they cannot easily fight off their critics. "Clearly there is a worry among the polluters, their insurers and their banks - not just about the size of claims if we succeed but also about the impact on their industry created by the cases. The real strength of our work is the way it highlights the problems of the polluting industry, rather than the benefits," he says.

## The long and winding | road to a porous peace

Motorways are being built with smoother asphalt in order to reduce traffic noise, writes Charles Batchelor

invented and more than a decade after it went into widespread use on the Continent, orous asphalt, a far quieter material than either conventional esphalt or concrete, is to be used on large-scale road schemes.

The Highways Agency, which carries out the government's roadbuilding programme, has specified porous asphalt for the 81/2-mile A34 Newbury by pass and for the resurfacing of a similar length at the London end of the M40. It has already been used on the

The expansion of the motorway network and the growth of road transport has meant that few parts of the country are out of reach of the hum of traffic noise. One answer is to put up roadside screens to deflect the sound but while this protects houses close to the road it is less effective for peo-

unsightly.
Increasing pressure from residents, from environmentalists and from local authorities for quietes roads has led road engineers and the suppliers of asphalt and con-crete to look closely at how they

design road surfaces.

Reducing noise at the point of contact between the tyre and the road has benefits not only for local residents but also makes driving less stressful and hence safer for road users.

Trials are under way in the UK into two methods of reducing noise: porous asphalt and "whisper concrete". Both have been employed successfully in continental Europe.

Porous asphalt is composed of relatively large pieces of crushed stone bound by bitumen. This mixture creates a material of which about 20 per cent consists of air voids. Instead of rainwater lying on the road surface it trickles into the air gaps and down to the impervious base course below. It then follows the camber of the road to drain away to the side. The effect is not only to reduce

traffic noise and spray in wet conditions. The crushed stone is laid in such a way as to achieve an even running surface which cuts

orty years after it was down on tyre vibration in dry cost between 40 per cent and 100

weather too. This can lower the level of noise produced by traffic by up to four decibels in dry conditions - the equivalent of doubling the distance of the listener from the ource of the noise - and by eight decibels in wet

Smoother road surfaces have the disadvantage of lowering skid resistance but, according to the Refined Bitumen Association, porous asphalt maintains a high degree of resistance, nevertheless. Additional benefits are the reduc-tion of the glare created by water on the road in wet conditions and a 2 per cent cut in fuel consump-

Porous asphalt was developed in the UK in the 1950s for use on

Reducing noise at the point of contact between the tyre and the road has benefits not only for local residents but also makes driving

less stressful and hence safer for road users

airfields but has been adopted much more widely elsewhere. In Austria, where many trunk roads pass through populated valleys, public pressure has led to widespread use. In the Netherlands it is specified for use on all trunk

Austria has the equivalent of 320 miles of four-lane motorway laid with porous asphalt, France has 850 miles, the Netherlands 640 miles and Italy 340 miles. Britain, by contrast, uses it on nine experimental sections of road amounting to the equivalent of fust 25 miles of a two-by-two-lane motorway. One reason why porous asphalt has not been more widely used is

that it is more expensive than con-

ventional hot-rolled asphalt. It can

per cent more to lay. However, the bitumen association points out that the cost of the road surface is only 2.1 per cent of total road construction costs.

Porous asphalt is also less hardwearing than conventional asphalt. On one stretch of the MI the Highways Agency calculated it would require renewal after five to seven years, although the bitumen association believes road lives of 12 years or more "are not an unrealistic expectation". Conventional asphalt would typically require renewal after 12 to 15 years. it says.

On the Al Paris-Lille autoroute. shich carries a lot of heavy traffic to the Channel ports, porous asphalt laid 10 years ago is still in good condition, the association

french

Vithout

Tears

Asphalt is the main material used in road construction in the UK, accounting for 95 per cent of the total network, but the suppli-ers of the concrete used for the remaining 5 per cent are also working on quieter materials.

Traditional concrete roads are finished with transverse brush lines to direct water to the side of the carriageway and improve skid resistance. These lines and the joints between the concrete blocks

both cause tyre noise.

Whisper concrete, which is on trial at two sites in the UK, incorporates a random pattern of aggre gates in its surface to produce a smoother and quieter ride. The British Cement Association says this surface is quieter than conventional asphalt although not as quiet as porous. It is about 10 per cent more expensive than conven-

tional concrete. Austria once again appears to have led the way with whisper concrete, building more than 100 miles of motorways with the material. It is on trial in the UK on a one-mile stretch of the M18 and 2½ miles of the A50 near Derby.

A cosmetic advantage of whisper concrete is that it can be supplied in different colours - blues, greys and greens - depending on the colour of the aggregate used, toning in with the landscape more than traditional white concrete.



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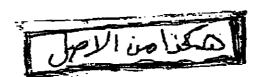
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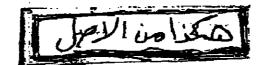
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Expertise with Responsibility





ARTS

Television/Christopher Dunkley

# Why it's all hype on the night

be live or (better still and) person-ality driven. Promotion before transmission, the hype factor, is also increasingly important.

Monday's notorious Panoruma must have received more hype, in this tastance all unpaid for, than any previous programme in the history of British television. With our present system in which the four terrestrial channels still win 91 per cent of the audience, this is useful for the network concerned (BBC1) but not essential. In the rapidly approaching world of digital television, however, where the audience will be split among scores or hun-dreds of networks, such prefatory activity will become vital. Standing out from the TV crowd is going to be vastly more difficult in 10 or 20 years th

As for the content, the Princess Diana Panorama was near ideal: one of the most famous (and, according to many, attractive) faces in the world, doing a full length solo interview for the first time,

and speaking about her husband's mistress, her own adultery, and the enmity between two royal camps. Though she had had, by all accounts, no special PR grooming for this event, her performance was remarkable: a combination of girlishness and dignity, frankness and formality, which could scarcely have been bettered, at least in

terms of her own image. No spin doctor would have dared invent those wry little twists of the mouth with which she prefaced admissions of weakness or guilt. The long term effects are imponder able, but history will surely say that she did herself far more good with this programme than her husband did with his much longer and infinitely more boring effort.

There can never be very many

imes like that, of course. On the other hand we must expect the supply of personality travelogues to go on and on increasing. Though it originated in older, nontelevision forms, this has now

phenomenon. The presenters are comedians or game show regulars such as Michael Palin, Sandi Toksvig and Clive Anderson, and once we are out in a Brixham trawler or an Indian steam train with them, it is difficult to say whether it is their funny lines or the scenery which is more important

Once upon a time BBC1's In Search Of Happiness would have been presented by Alan Whicker, former agency man, foreign correspondent, and radio reporter. Now it is presented by Angus Deayton, questionmaster of the studio quiz Have I Got News For You, and known, we are told, as the thinking woman's crumpet. Ostensibly the subject of the final episode was the fairly serious business of finding happiness via god or, failing that, via a virtually religious dedication to a cause such as socialism or the wellbeing of hedgehogs (I am not making this up). But the level of approach became clear at the start

developed into a pure television when we were given Deayton's joke about looking for a monk with the address "A Cave, Somewhere near Kandi" not once, not twice, but three times.

> n a world of increasingly rapid communication, televi-sion's ability to go live and deliver events into the viewer's home as they happen seems like the ultimate journalistic boon. But Saturday's Police Action Live showed just how comprehensively you can come unstuck. True, ITV does need something to brighten up its Saturday schedule, and the idea of having ITN cameras in police cars in London, Manchester, Newcastle and Hampshire, followed overhead by police helicop-ters carrying relay links and more eras, for an bour on either side of chucking-out time, must have seemed risky yet a pretty good bet. After all the live relay is now a well practised technique in news and sport.

The result was such a disaster. however, that in the end you had to stop laughing and start feeling sorry for the poor presenter, Dermot Murnaghan. The technology rarely held up for more than two minutes at a time, the fault lying mainly with the helicopter links. presumably, given the similarity between the garbling on Saturday night and what you see so often though briefly - during helicopter coverage of the Tour de France. Yet the major let-down was not the

hardware glitches but the desperate lack of events. Over and over again Mumaghan would break into the proceedings to announce urgently that we were going over live to this place or that where something seemed to be happening. It never was. The most exciting moment was when we left the Griffin Tavern in London's West End. whither we had rushed with a wpc to cover a disturbance, involving one tipsy customer, which was over-manned before she

arrived, to go to Charing Cross station. There an excited ITN reporter told us that squad cars had just roared off to a nearby pub where 50 football supporters were rioting. Unfortunately it turned out to be the same little chap in the Griffin getting his nose punched.

So much for the image, painted so luridly by television news with every successive set of crime statistics, of a Britain seething with murder and mayhem, all way beyond the control of a thinly stretched police force. The television news people may have believed their own picture but what they showed us on Saturday night across the length and breadth of Britain was the police racing around mob-handed, strens screaming, to apprehend grinning lager drinkers whose idea of a really good night out is to sneak up behind patrolling bobbies and make V-signs at a television cam-

And yet, despite this fiasco, it is safe to assume that live coverage of emergency services will fill more and more of the time suppos devoted to journalism on television, as will personality presenters. And heavy hyping will surely become more commonplace and more competitive.

Theatre

t is beginning to be possible

to discern what television

will be like when it emerges

as a fully formed mass

medium. It is, of course, still a babe in arms when compared

with such ancient media of expression as paint or even print. The

printed word is 500 years old while television is barely 50. Television is

still trying experiments and falling

flat on its face - Saturday's two

hour Police Action Live was a won-

derful example to which we shall

return in a moment - but that is

surely as it should be with such a

Of course television is a multifar-

ious medium which has spent much

of its early history borrowing from

elsewhere: theatre, cinema, news-papers, magazines, variety halls,

party games. For television journalism there have been two main mod-

els, the documentary film (giving

us, for instance, the half-hour

World In Action report) and print

journalism (giving us various near

equivalents: the Robin Day interview, the studio discussion, and so

on). But now television is finding

that its own true forms - or those

that bring the biggest ratings – are

not modifications from older

media. What matters more and

more for television journalism is to

young thing.

## French Without **Tears**

erence Rattigan's "sophisti-cated comedy" is safe regional house fare, and constitutes a pre-Christmas breather in Giles Croft's well-balanced first season as artistic director at Watford. Thankfully, Tim Luscombe's production makes a little more of it than the sterile throwback it could so easily have

James Merifield's design locates the action in a crumbling, drained swimming pool with palm trees thrusting through its sides. It constitutes a muted comment on the decadence of an upper class 1930s milieu in which young men, usually of little brain, take themselves off to cram for the language paper of the diplomatic service exams in a com-

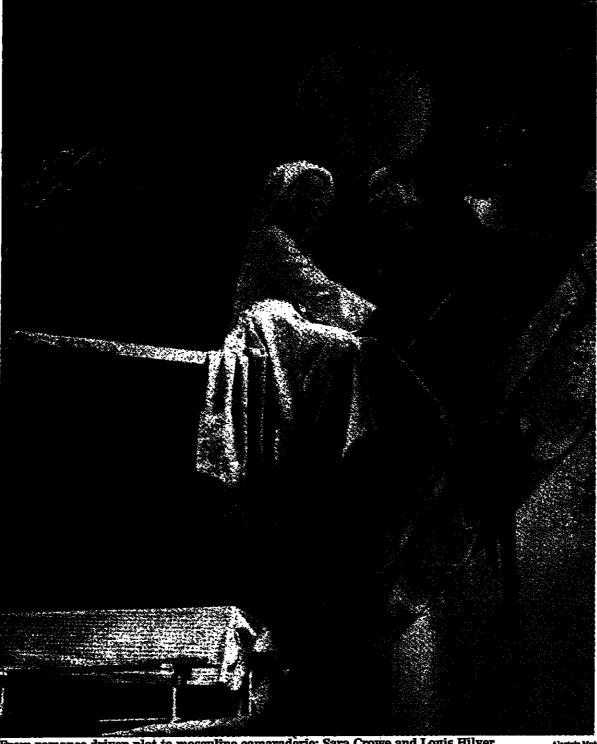
fortable French villa. However, Luscombe's production makes no corresponding directorial comment upon events; throughout the first half of !he evening we are presented with a simple romantic comedy set among the gilded youth of a bygone age, as the duplicitous siren Diana two-times nice-but-dim Kit and the newcomer to M. Maingot's little école, braided naval twerp Lt-Cmdr Rogers.

rather pointless. Sara Crowe relishes The opportunity to play a vamp rather than a *ingénue*, though even with her voice dropped half an octave it retains echoes of the Philadelphia bleat which continues to baunt her. The mannered cynicism of Alan Howard (Louis Hilyer) as he watches the merry dance fails to add another dimension to the proceed-

However, after the interval the mood crystalises brilliantly. As Kit and Rogers discover that they been guiled and band together with Alan, it becomes clear that at the heart of the play lies a study in male friendship. It would be glib to ascribe this to the homosexuality of Rattigan, although it palpably informs his perspective.

The trio's drunken bonding carries only the faintest such overtones (the inebriation, although heavily written, is seldom overplayed, and indeed supplied a minor gift on the press night to Philip Rham as Rogers, who found himself having to perch upon a folding chair

that had just broken). As Alan finds himself on the receiving end of Diana's amorous attentions, he appeals to the loyalty



From romance-driven plot to masculine camaraderie: Sara Crowe and Louis Hilyer

of his new found comrades in arms for protection. The whiff of misogyny in the air is at least partially counteracted by the presence of the good and true Jacqueline, but the focus has now shifted decisively from the Diana-driven romance plot to the masculine

camaraderie of the three fellows None would claim that French Without Tears makes greatly trenchant statements, but Luscombe succeeds in identifying and bringing out that additional undercurrent, just enough to redeem this from being an anti-

quated light comedy production for its

Ian Shuttleworth

At the Palace Theatre, Watford, until December 2 (01923 225671).

## Concert/Antony Bye

## Help for Hindemith

s one would expect of Nobuko Imai, presented in a centenary year, 1995 has been something of a make-or-break time for the reputation of Paul Hindemith. After years of respectful neglect, his prolific and still little-known output has been performed in public as never before. A BBC Festival in January at the Barbican, Hindenith the Rebel focused on his avant-garde works of the 1920s and 30s; the new staging of his operatic masterpiece Mathis der Maler for the Royal Opera, which opened on Thursday, has been entrusted to Peter Sellars, no less; and although the record companies have not exactly been hurling Hindemith discs at us, the catalogue now includes a representative sample of his work. Even so, as a composer he still needs all the help he can muster: he has his devotees, certainly, but he has still to win the hearts and minds of both the general concert-goer and the modern-mu-sic specialist.

The 1995 International Hindemith Viola Festival, devised by the Japanese viola player

Tokyo in April and due in New York next February and March, touched down in London at the Wigmore Hall last week. It was certainly an inspired idea to combine Hindemith with a celebration of the underdog of string instruments, and a wise decision to place him in the broader context of the old - Brahms and Mendelssohn - and the new specially commissioned pieces by Sally Beamish, David Horne and the ubiquitous Michael

Nyman. Wednesday's opening con-cert was an all-Hindemith affair, however, with Imai herself the generous-toned soloist in two familiar works for viola and small orchestra. If the concision of the spare and eloquent pièce d'occasion, Trauermusik, written in a single day in memory of George V, was self-recommending, the dyspeptic bluster, more typical of the Hindemith style, of the folksong impregnated viola concerto, Der Schwanendreher, and the op.44 Schuhverk pieces

the persuasive advocacy of the Royal Northern College of Music Chamber Ensemble under Tadaaki Otaka's spirited direction.

Yet relief was on hand, not by one of Hindemith's early radical works but by his late Octet, composed during the period when his reputation rested as much on his immense skill as a pedagogue as on his own music. Designed as a companion piece to the Schubert Octet, Hindemith's music here sweeps along with a generosity of spirit and a breadth missing from the earlier pieces, propelled by elegant counterpoint and sinewy rhythms which the London Sinfonietta despatched with enthusiastic and civilised abandon. Although Hindemith resorts to his usual academic trickery, he manages to transmute it into something rich and durable, suggesting that sometimes at least the master craftsman was capable of real. inspired art

Sponsored by The Dunard

#### Jazz/Garry Booth

for amateur string orchestra,

## Shorter the super-sideman

ome jazz musicians have been through so many distinctive phases in their careers that people have different expectations when confronted by their hero in contemporary guise. Sixty-three-year-old saxophonist Wayne Shorter probably has three sets of fans. many of whom will have left the South Bank on Sunday night with a ringing in their ears and a yearning for the old

days. As composer, soloist and super-sideman he has been in the right place at the right time since he first fronted Art Blakey's barnstorming Jazz Messengers alongside trumpeter Lee Morgan in 1959. In 1964 he joined Miles Davis and, as well as adopting a more reflective style, contributed to the book of Milesian standards with "ESP", "Nefertiti" and "Footprints" among others. In 1970, with Joe Zawinul, he formed Weather Report and, in the role of colourist rather than soloist, helped set in motion the jazz-rock wave which he rides today. His current band, and reper-

toire (a new album, High Life on Verve) puts all those pieces of jazz life together, without quite managing to scale the heights achieved in any. Heard in the un-funky surroundings of the Festival Hall, the all new compositions, chunks of jazz rock, crunched along well enough. The band, all electric and deafening, were young and confident. Shorter's own playing, when he finally got underway, was characteristically gritty, gangsterish, brooding and baleful.

But such is Shorter's musical direction that each of the hand - two keyboardists, bass guitar, electric guitar, drums and percussion - is placed upfront. Tracy Wormworth's fretless bass bubbled ominously, David

Gilmore's electric guitar soared and rangy drummer Will Calhoun toughed up his kit expertly. Pianist Rachel Z (sic) alone offered elegant relief with sparkling lines and more measured improvisation. Shorter, also on short rations up until the closing numbers, blew brilliantly coruscating

sodrano. How much more engaging this edition of Shorter would be, however, if the accompaniment were pared back to reveal more of the leader's original and sharp edged technique. Take a note of the name

Maria Joao, Shorter's support on the London date. The Portuguese singer, accompanied by piano, delivered an ear poppingly wonderful display of scat gymnastics - a meeting of searingly operatic Portuguese blues, fado, and Ella-esque wit-

Sponsor: Oris Timezones.

() entry

# INTERNATIONAL

#### AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573 Borodin Quartet: perform works by Borodin, Webern and Janácek 8.15pm; Nov 25

#### ■ ANTWERP

EXHIBITION MUHKA - Museum van Hedendaagse Kunst Tel: 32-3-2385960 John Körmeling: exhibition of work by this Dutch architect/ertist; from Nov 23 to Jan 14

#### **BERLIN**

Konzerthaus Tel: 49-30-203092100/

 Berliner Sinfonie-Orchester: with conductor Eliahu Inbal perform gravinsky's "Suite No.2", Varese's "Amériques" and Dvorák's Symphony No.9 (from the New World)"; 8pm; Nov 23, 24, 25

#### **OPERA & OPERETTA** Deutsche Oper Berlin Tel: 49-30-3438401

 Un Balio in Maschera: by Verdi. Conducted by Rafael Frühbeck de Burgos and performed by the Deutsche Oper Berlin, Soloists include Boiko Zvetanov, Vladimir Chernov and Julia Varady; 8pm; Nov

#### **■ BOLOGNA** EXHIBITION

Galleria d'Arte Moderna Tel: 39-51-502859 Cahiers du Trlangle: is the title of a series of exhibitions showing works by upcoming artists from France, Italy and Greece. This edition includes works by Bernardoni, Cascio, Charpin, Manetti, Novali and Orgeret; from Nov 25 to Jan 7

#### ■ CHICAGO

**OPERA & OPERETTA** Civic Opera House & Civic Theatre Tel: 1-312-332-2244 Don Pasquale: by Donizetti. Conducted by Paolo Olmi and performed by the Lyric Opera of Chicago, Soloists include Paul Plishka, Ruth Ann Swenson, Bruce Ford, Jeffrey Black and Jeffrey Ray; 7.30pm; Nov 25

#### **■ COLOGNE**

CONCERT Kölner Philharmonie Tel: 49-221-2040820 Kölner Rundfunk-Sinfonie-Orchester: with conductor David Shallon and viola player Tabea Zimmermann perform works by

Kodály, Hindemith, Bartók and R. Strauss; 8pm; Nov 24 OPERA & OPERETTA Opernhaus Tel: 49-221-2218240 Die Zauberflöte: bv Mozert. Conducted by Georg Fischer and performed by the Oper Köln. Soloists include Franz-Josef Selig, Rainer Trost, Harry Peeters and Amanda Halgrimson; 7.30pm; Nov

#### ■ HELSINKI CONCERT

Finlandia-talo - Finlandia Hall Tel: 358-0-40241 Helsinki Filharmonia: with conductor ion Marin and bass Yevgeny Nesterenko perform works by Ciurlionis, Mussorgsky and Stravinsky; 7pm; Nov 23

#### **■ LEIPZIG** DANCE

Oper Leipzig Tel: 49-341-1261261 Die Schöpfung: by Haydn, in a choreography by Scholz: Performed by the Lelpziger Ballett and the Gewandhausorchester, 7.30pm; Nov

#### ■ LONDON

CONCERT Barbican Hall Tel: 44-171-6388891 An Evening of Opera with Lesley Garrett: the star of BBC2's "Viva La Diva" sings highlights from her albums in a concert of favourite arias and popular songs. Featuring the BBC Concert Orchestra with conductor Peter Robinson and special guests Sara Fulgoni and David Barrell; 8pm; Nov 25

#### Royal Festival Hall Tel: 44-171-9604242

 The Royal Concert in the presence of HRH The Duke of Kent. Works by Watton, Maw. Elgar. Purcell and Britten performed by the BBC Symphony Orchestra with conductor Andrew Davis, the Choir of King's College Chapel, Cambridge with director Stephen Cleobury, and the musicians of the Royal Military School of Music with conductor Lt Col C.G. Ross; 7.30pm; Nov 23 St. John's, Smith Square Tel: 44-171-2221061 Young Musicians Symphony Orchestra: with conductor James Blair and narrator Lord Gowrie perform "Aideburgh Variations" by Tippett/Berkeley/Britten/Searle/ Walton, a new work by Coe. Britten's "Young Person's Guide to the Orchestra" and Elgar's

St. Martin-in-the-Fields Tel: 44-171-8398362 English Arts Chorale and Orchestra: with conductor Leelie Clive perform Mozart's "Regulem":

"Enigma Variations"; 7.30pm; Nov

7.30pm: Nov 23 Wigmore Hall Tel: 44-171-9352141 Takács Quartet: perform the Bartók String Quartets Nos.1, 3 and 5; 7.30pm; Nov 23 DANCE

Royal Opera House - Covent Garden Tel: 44-171-2401200 The Royal Ballet: perform the choreographies "Apollo" and "Duo Concertant" by Balanchine to music by Stravinsky, "Fearful Symmetries" by Page to music by Adams, and "Sideshow" by MacMillan to music by Stravinsky, 7.30pm; Nov 23, 25,

#### THEATRE Lyttelton Theatre Tel: 44-171-6330880

 Wild Oats: by O'Keeffe. Directed by Jeremy Sams and performed by the Royal National Theatre. Staming Anton Lesser, Alan Cox, Sarah Woodward, James Bolam and Andrew Sachs; 7.30pm, Sat & Wed also 2.15pm; from Nov 24 to Nov 30

(not Sun) Olivier Theatre Tel: 44-171-6330880 Mother Courage and her
Children: by Brecht/Hare. Directed by David Hare and performed by the Royal National Theatre. Featuring Diana Rigg; 7.15 pm; Nov 23, 24, 25 (also 2pm)

#### **■ LUXEMBOURG** CONCERT

Théâtre Municipal Tel: 352-470895

 Michel Dalberto: the planist performs Schubert's Sonatas No.15 and No.21 and Debussy's "Préludes (Book I)"; 8pm; Nov 23 LYON

#### CONCERT

Auditorium Tel: 33-78 95 95 95 Orchestre National de Lyon: with conductor Emmanuel Krivine and pianist Evgeny Kissin perform Tchaikovsky's "Plano Concerto No.1" and Ř. Strauss' "Eln Heldenleben"; 8.30pm; Nov 23, 24,

#### ■ MADRID

EXHIBITION Fundación Collección Thyssen

Tel: 34-1-4203944 Picasso in 1923. Harlequin with a

Mirror and The Pan-Pipes: exhibition investigating the relationship between Picasso's "Harlequin with a mimor" and "The Pan-Pipes", both dated 1923. The paintings mark the end of Picasso's neocla period. Along with the two key

works, the exhibition includes a set of drawings and sketches from the same period, which illustrate the links between the paintings and their creative process; from Nov 24 to

#### ■ NEW YORK

CONCERT Auditorium of The Metropolitan Museum of Art Tel: 1-212-5703949 Juilliard String Quartet: perform works by Beethoven in its 50th anniversary season; 8pm; Nov 24 Avery Fisher Hall Tet: 1-212-875-5030

 New York Philharmonic: with conductor Kurt Masur in an all-Beethoven programme, including "String Quintet, Op.104" and "Symphony No.6 (Pastoral)"; 2pm; Nov 25

#### PARIS CONCERT .

Cité de la Musique/Musée de la Musique Tel: 33-1 44 84 45 45 London Baroque: with conductor Charles Mediam perform works by Purcell; 4.30pm; Nov 25 **OPERA & OPERETTA** L'Opéra de Paris Bestille Tel: 33-1 44 73 13 99 Tosca: by Puccini. Conducted by Self Ozawa and performed by the Opera National de Paris. Soloists

include Galina Gorchakova and

Keith Oisen: 7.30pm; Nov 23

WORLD SERVICE BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

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petence, then indeed the more

member states there are the

more necessary it becomes. A

community of six could take

decisions by arguing each issue out around the table

until a consensus emerged.

Today's Union of 15 is already

almost paralysed by its

attempts to do so. Tomorrow's

Union of 20 or 24 states will be

completely paralysed unless

Before improving the

machinery, however, it is a

good idea to ask what we actu-

ally want it to do. What is the

Union for? The Federal Trust,

the machinery is improved.

## Detour on the road

Next year's intergovernmental conference to revise the Maastricht treaty will not deal with the policies that most need revision

An air of fatalism and gloom both right and wrong, because surrounds the preparations deepening can take two very different forms.

If it means extending the competences of the EU into You might think, since Maastricht is so generally new policy areas, then it unpopular, that people would should indeed be opposed. The welcome the chance to more member states there are, improve it at next year's interthe greater their geographical. governmental conference. economic and cultural diver-Instead, the treaty-drafters of sity, and the less feasible it Europe are so demoralised by the reception they got last many aspects of their national time that they dread having to lives. Indeed, some rollback of competences would be advisgo through the exercise again. Last week I even heard a senior member of the European Commission attempt to enabling the Union to act more decisively and effeccheer himself up by saying tively where it does have comthat the pre-conference skir-

The conference will start next year for one reason only, which is that Maastricht itself says it must. After negotiating and ratifying that treaty with such difficulty, the governments of the EU dare not ignore one of its most explicit provisions.

mishing was "no worse than

before Maastricht"

But they are doing their best to limit its scope. The conference is very unlikely to attempt any revision of the most topical and controversial parts of the treaty, which concern economic and monetary union. If the Emu timetable is eventually set aside, it will be under the pressure of events. Never mind. The real task,

we are told, is to prepare for enlargement. But it will not deal with the two policies that most need revision if enlargement is to work: the Common Agricultural Policy and the structural funds. Those will be the subject of a political negotiation, which powerful vested interests will delay as long as possible. The conference, by contrast, is a treaty-revising exercise. It will deal with institutions and procedures. Dry stuff; a complete turn-off for public opinion.

The British government favours enlargement, but is determined not to accept any "deepening" of the EU - that is, any further erosion of national sovereignty - as the price of widening. In this it is

both right and wrong, because deepening can take two very different forms.

If it means extending the competences of the EU into gives as good an answer as any in a paper published this week: the EU has a responsibility for ensuring the future security and stability of the

European continent".

Does that mean that it must become a military organisation? No, says the trust. "It would be expensive to replace Nato, and doubly expensive to construct a parallel system to it." But most of the post-cold war threats to stability in Europe do not lend themselves to a military response. It is the civilian aspects of foreign policy that are needed, and here the EU has powerful instruments: trade (especially access to its market), financial

assistance, and in some cases

the prospect of membership.

These are formidable levers for influencing the behaviour of neighbouring countries, whether in the former Soviet Union, the Balkans, north Africa, or the eastern Mediterranean and Middle East. But oddly enough they are levers that fall within the competence of the old (pre-Maastricht) Community. All that "foreign policy" adds (but it is a crucial addition) is the will and capacity to use those instruments in the service of a

Intergovernmental conference

IGC

Bypassing:
Economic and monetary union
Common agricultural policy
Structural funds

Maastricht

r as As soon as one realises that, this one sees how perverse is the consiture its separate procedures for the traditional Community, foreign and security policy, and

justice and home affairs Why devise a completely separate set of procedures for the foreign policy of the Union, when the means to conduct that foreign policy are those of the Community It was a recipe for incoher ence, and it has produced a lot of pointless turf battles which prevent anything much from getting done. The member states are on the watch-out for the Commission interfering in foreign policy, which they regard as their prerogative, while the Commission is obsessed with the fear that "pillar one" - traditional Com-munity business - is being contaminated with second pillar [ie, intergovernmental] procedures". No wonder the ublic is disgusted with the

whole enterprise.

Yet that task, of ensuring security and stability in and around Europe, is one that around Europe, is one that argument about majority voting is largely beside the point. How often do national cabinets take a vote on foreign policy issues? What is needed is a collective brain, capable of thinking strategically, developing a foreign policy and arguing for it.

The most logical course would be to build that brain out of the relevant departments of the Commission. But since the Commission has become a bogeyman for some member states, let it be elsewhere - presumably in the Council secretariat - and let the relevant departments of the Commission be clearly subordinated to it. What should above all be avoided is what we shall probably get: an incomprehensible rejigging of the present already incomprehensible arrangements.
\* Security of the Union, Federal Trust Paper 4. BEBC, tel

+44 1202-715555, fax 715556.

## LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SEI 9HL

We are keen to encourage letters from readers around the world. Letters may be faced to +44 171-873 5938 (please set fax to fine'), e-mail letters editor@ft.com Translation may be available for letters written in the main international languages.

# Possibility of default clearly seen

From Mr David J. Kidd.
Sir, Boris Allan (Letters,
November 17) says the
founders of the US did not
foresee a situation where
legislators might put the US in
default. He underrates the
American revolutionaries.

Thomas Jefferson, author of the Declaration of Independence and third president, clearly contemplated default in specific situations to preserve liberty. Government debt is merely deferred taxation. An unfettered power to borrow is indistinguishable from an unfettered power to tax both are regugnant to a free people. Both destroy the natural right to property and to the fruits of one's own labour.

Writing to James Madison (September 6 1789), Jefferson said that the earth belongs to the living, which he called "a fundamental principle of every government"; and one generation of men has no right to bind another. "Suppose Louis XV and his

Louis XV and his contemporary generation had said to the moneylenders of Holland give us money that we may eat, drink and be merry in our day. The money is lent on these conditions, is divided among the people, eaten, drunk and squandered. Would the present generation be obliged to apply the produce of their labour to replace these dissinations? Not at all."

He advocated a constitutional provision declaring long-term government debt null and void and referred to "the inattention of money lenders to this law of nature, that succeeding generations are not responsible for the preceding;" he referred further to the ruinous power of European governments to contract enforceable long-term debt as the means by which "despots bind in chains their fellow-men".

David J. Kidd, Citroen Wells, 1 Devonshire Street, London W1N 2DR, UK

#### Appreciation

From Mr Justin Milward.
Sir, I am not the least
surprised by Stephen Pettitt's
comment that "writing about
Michael Nyman's music has
got me into trouble in the
past" ("Nyman's 'rough
music'", November 14). He
consistently falls to appreciate,
as do many of his fellow music
and arts critics, that in a
modern creative environment,
less is usually more.

Justin Milward, Jayrise, Butcombe, Nr Bristol, BS18 6UT, UK

## S Africa approach on Nigeria demonstrates genuine leadership

From Ralebelo Motsameri.
Sir, The coincidence of South
Africa's policy with its actions
in respect to Nigeria
demonstrates the genuine
world leadership emerging
from this country ("Mandela in
protest to Shell chiefs over
Nigeria", November 21). This
gives hope for both Africa and
the world, particularly in the
face of the wishy-washy flexing
by UK prime minister John
Major and Bill Clinton, US
president, and the rest of the
first-world posers

first-world posers.

This consistent approach, seemingly based in a common human ethical ground, gives hope for resettling the

imbalances perpetuated by the selfish diatribe of the so-called first-world nations with their policies based upon short-term maximum individual (financial) gain.

when was the last (first?) time that superpowered watchdog, the US, gave moral leadership which in turn genuinely stood to undermine its financial comfort? Too bad that Colin Powell has not declared his candidacy for 1996.

Ralebelo Motsamai, Temple Architecture, 225 East 4th St #23, New York, NY10009,

## Negative

From Mr Jake Backus.
Sir, Why is it that a
weakening pound is seen in
such a negative way by the
press? For example, in Philip
Gawith's currency markets
article (November 20), phrases
such as the heading, "Danger
signs for sterling", and

"...recent history suggests this should help sterling", are used. It is exporters that are helping to take the UK forward and out of recession, and it is Britain's growing export business that helps to create jobs and the wealth of the nation, not the "...more aggressive speculators" you mention.

Jake Backus, regional director Americas, Jeyes International, Brunei Way, Thetford, Norfolk IP24 1HA, UK

## Tax alternative a sleight of hand

From Mr Gordon Brown MP.
Sir, Mr Andrew Dilnot,
director of the UK Institute of
Fiscal Studies, referring to
Labour's long-term ambition to
cut the starting rate of income
tax to 10p in the pound as a
"gimmick", claims that his
alternative proposal to
increase allowances would be
more progressive

more progressive ("Conservatives scorn Labour, plan for tax cuts", November 20").

But Mr Dilnot's published figures, in fact, confirm that cutting the starting rate of tax is not only much fairer than cutting the basic rate of tax, but also fairer than simply raising allowances which disproportionately benefit

top-rate taxpayers.

Mr Dilnot's only answer is a sleight of hand: to combine higher allowances with "other adjustments to ensure richer individuals do not gain more than poorer individuals". By this he means that "the point at which higher rate tax is

charged is adjusted accordingly", which means an offsetting tax increase for higher-rate taxpayers.
But Labour's proposals are fairer still because, as I said

last weekend, we will combine

a cut in the starting rate of tax with an equivalent cut in benefit tapers.

Mr Dilnot ends his analysis by claiming that trying to improve the work incentives of the unemployed and low-paid

improve the work incentives of the unemployed and low-paid by cutting the starting rate of tax is a mistake because so few of these hard-hit groups are 20p tax payers.

This is precisely the problem Labour's welfare to work proposals are designed to

address. The real scandal in today's modern labour market is that one in five non-pensioner families have no-one in work, compared to one in 12 in 1979. People are trapped by inadequate work opportunities, low skills and the low wages they can command in work, and a

welfare state which traps people in dependency because of penally high marginal tax and benefit rates.

My speeches proposed a new approach to employment, tax and social security policies to get workless families back to work and on to the lowest tax band.

band.
In short, Mr Dilnot's analysis does not support his over-the-top rhetoric. And his conclusions are based on a static view of the world which does not take into account the dramatic changes which have occurred in our increasingly dynamic labour market over the past decade or so. Labour's welfare-to-work proposals, of which a cut in the starting rate of tax are an integral part, are based on such an understanding.

Gordon Brown, shadow chancellor of the exchequer, House of Commons, London SW1A 0AA, UK

#### City of London will lose if UK not in Emu

From Mr John Szemerey.
Sir, Good to see a leading banker warn the government of the dangers of opting out of the single European currency.
("London 'could suffer' if UK stays out of Emu", November

Lord Alexander, chairman of National Westminster Bank, is right to point out that an inevitable result of staying out of a European economic and monetary union (Emu) during its early years is that the City and UK industry will be damaged. If a future government does not reverse such a policy, much financial business will transfer to Frankfurt, Paris, Milan and other European financial centres, and the City will be

reduced to merely a regional

European financial centre.

Similarly, external investment in the UK may well be reduced, preferring to go to a European country in the single-currency area rather than invest in the UK and risk the instability and expense of a floating currency that is at the mercy of world influences. British industry will also suffer from these same elements, instability and the extra costs of a currency that cannot hold its own against a much more

stable European Ecu.
Six months ago a high-level
Conservative policy group that
I have the honour to chair
warned ministers and
policymakers within the
Conservative party that "if
Britain stays out of the single
European currency for long,
the City may be damaged
beyond repair...Germany is

preparing to be the European Union's financial centre while British short-sightedness risks destroying the City". By the middle of next

By the middle of next-century the Ecu could replace the ailing dollar as the currency in which most world trade is done. If John Major's government opts out of the single currency, it will have thrown away the enormous trading advantage of using an international currency as its national currency. What a price, just to keep a handful of Eurosceptics happy!

John Szemerey, chairman, policy group, British Conservative Association in Belgium, 76 Marnixlaan, B-3090 Overijse, Belgium

Personal View · Francis Ghilès

## Spend wisely not lavishly

A new 'multifund' could help anchor southern Mediterranean

southern
Mediterranean
countries to the EU
Three years
ago, the European Union

pean Union
more than doubled development aid
spending on the 12 Mediterranean and north African countries on its so-called "southern
rim" to Ecu4.04bn (\$5.2bn) over
four years. Some will no doubt
be clamouring for even more
money for the region at next
week's EU Mediterranean summit in Barcelona.

Such calls should be strongly resisted. More funds alone would do nothing to increase the pace of economic growth and the number of jobs available to a fast-rising population in the 12 countries, which include Egypt, Morocco, Algeria and Turkey.

The real challenge for the EU is how to get better results from existing funding. That means addressing two serious problems.

The first problem is that

The first problem is that actual investment remains low. This is in spite of the availability of plenty of EU capital and many worthwhile investment projects. The second problem is that private and public financing rarely work well together.

Countries such as Morocco, Tunisia and Jordan have been going through a quiet "cultural revolution" since the mid-1980s. Domestic financial markets are developing fast and attracting funds which are invested in the real economy. Stock market capitalisation in Egypt, Morocco, Jordan and Tunisia remains small, how-

Tunisia remains small, however, at \$20bn overall This compares, for example, with \$139bn in Singapore. It is a similar story with private investment flows: between 1982 and 1992, southern rim Mediterranean countries attracted just 6.7 per cent of total private investment going to non-Organisation for Economic Co-operation and Development countries.

It needs also to be borne in mind that the industrial fabric in these countries consists largely of small and mediumsized family businesses. The corporate culture of these enterprises does not set much store by clarity of accounting procedures. Profits are often reinvested with the aim of maximising return on capital or of avoiding taxes. Fully 60

the could help change the status of that southern rim

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COUNTRIES from a

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per cent of corporate profits in Morocco are reinvested in property, to the detriment of more productive forms of investment. The capital of these companies is only slowly being opened to outside inves-

Local banks, furthermore, usually ignore the needs of these companies – in particular the more modern-minded ones. Decision-making in these banks remains a legacy of the past – highly centralised and opaque – and the vast majority of loans are short-term. The result is that even well-informed local entrepreneurs have to face down the conservatism of their country's civil service, which often prefers to allocate funds to state-owned, rather than private, compa-

As a result private industry is cut off from the financing earmarked for it by Brussels and Washington. Local banks add insult to injury by claiming there is no demand for long-term finance, although few of them have the capacity to identify good investment projects.

Moreover, existing lines of foreign credit tend to be monopolised by large local companies, which are usually state-owned.

These difficulties raise the question of why the more dynamic smaller companies, on both sides of the Mediterranean, are not more closely associated with the management of these credit and investment lines.

A critical mass of such lines does exist in addition to the EU money, an estimated \$138bn worth of funds is held offshore by residents of Egypt, Algeria, Morocco, Jordan and Tunisia. If only a fraction of this were invested in southern rim countries, the impact on growth rates would be substantial

tmu

also exist and they are becoming more diverse. Yet the extreme difficulty of harnessing funds of diverse origin and getting them to work together effectively is often crippling.

An idea recently floated by Mr Abderrahmane Hadj Nacer, chairman of the Paris-based

Structures to transfer funds

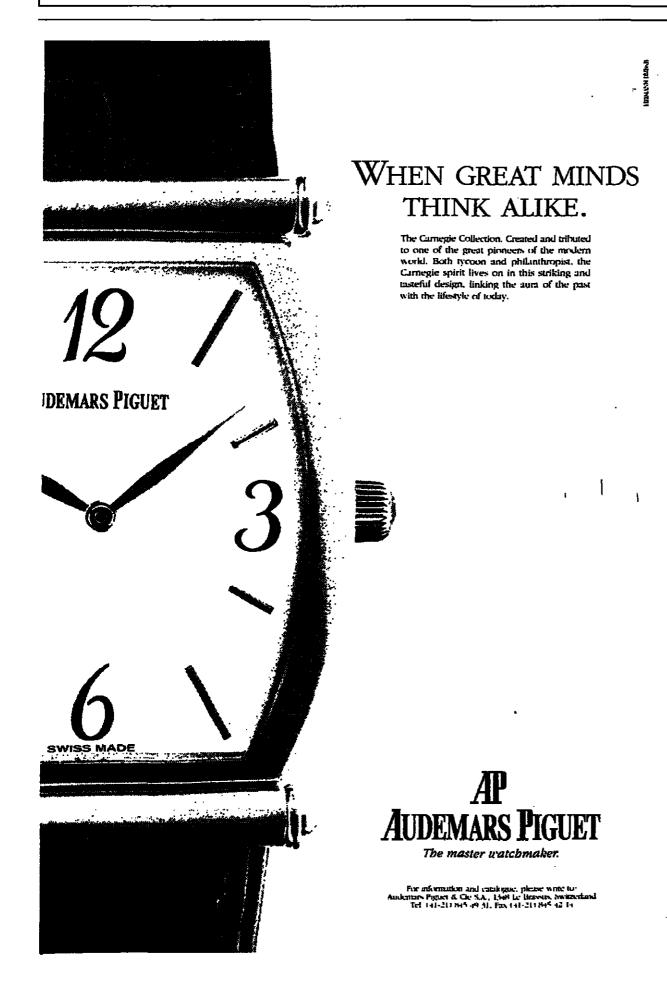
GP Banque, a bank specialising in investment in southern rim countries, may help to address this.

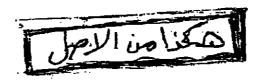
Mr Hadi Nacer envisages a partnership between an EUsponsored "multifund", which would have the role of attracting money from a variety of

partnership between an EUsponsored "multifund", which would have the role of attracting money from a variety of private and public investors, and a series of locally based investment funds which would seek out suitable opportunities for using it.

Such a fund of funds could help change the status of southern rim countries from a virtual terra incognita for private western investors into a more attractive proposition. This could, in turn, help the EU to achieve its ambition of creating by 2010 a free-trade zone anchoring these countries to the European market, as well as its broader strategic aim of stabilising the Mediterranean region.

The author is founder of FG. Associates, a consultancy specialising in Mediterranean affairs





## FINANCIAL TIMES

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## Making the peace stick

For the past three weeks, the leaders of Bosnia, Croatia and Serbia have inched their way, full of suspicion and mutual hostility, towards a peace deal in their war-torn lands. Locked away from the glare of publicity on the US air force base at Dayton, Ohio, they have been begged and bullied towards agreement under all the diplomatic and moral pressure

that the US can bring to bear. Yesterday a deal was done. That must be warmly welcomed as the biggest step yet towards a lasting peace in the region. It is a tribute to the negotiating skills of the US team and their European allies. But it will require months, if not years, of dedication and commitment from all concerned to ensure that peace really comes to pass. The three weeks of negotiation will undoubtedly prove to have been the easier part. The tough bit is to make it stick.

Both Croats and Serbs were ready to accept the deal in the final hours, while the Bosnians were obviously very doubtful. They sought to persuade the out-side world that the peace talks were falling apart. Yet again, it is clear that it was Bosnia, the main victim of all the fighting, and battleground for the aggressive ambitions of its bigger and better-armed neighbouring states, which has had to make the biggest concessions. That was also the case under all the previous European peace efforts, and it is now the only outcome which the US has been able to broker.

that the aggressors should be rewarded for their aggression. But President Bill Clinton insists that the deal will preserve Bosnia as a single state, "within its present borders and with international recognition". He also says that individuals charged with war crimes - which means Mr Rado-van Karadzic, the Bosnian Serb leader, and General Ratko Mladic. his military commander - will be excluded from political life of the country. But there is little doubt that the divide between the Bosnian-Croat federation, on one side, and the Bosnian Serb area, on the other, will be deep. It will also be highly unstable. Thousands of

nic cleansing on all sides.

President Slobodan Milosevic of Serbla, whose dreams of a Greater Serbia played a big part in precipitating the Balkan tragedy, must now sell the deal to the Bosnian Serbs. But much will also depend on the organisation and commitment of the peace implementation force to be despatched by the US and its Nato allies. Mr Clinton has to persuade a very dubious Congress that 20,000 US troops can and should be sent to participate. If they are not, the whole peace

families have been torn from their

land in the terrible process of eth-

effort could come apart. US involvement in the peace process has been the essential factor in forcing the warring parties to do a deal. A lasting US commit ment to the process - way beyond the next presidential elections, if een able to broker. necessary - is now equally essential to make it stick.

## Boardroom splits

The obvious point about corporate governance to be made after the bust-up at Cable and Wireless is that a board which contains both an executive chairman and a chief executive risks an explosion. That must be especially true in a company like this, which faces a series of crucial decisions about its future strategy.

C&W has a very profitable position in Hong Kong: in many other build up agresence in the face of established competitors, and to form links with a range of telecommunications giants. The scope for disagreement about the various choices open to the company is enormous: it needs one person who is clearly in charge, and who has the confidence of the board, to make things work. This it obviously has not had.

The second point, concerning the role of the directors, will take longer to determine. C&W has a roster of half a dozen impressive non-executive directors. It seems startling that they allowed relationships to deteriorate to this extent. It is not as though the chief executive's concern about his chairman's entrepreneurial style had been any great secret in recent months.

Having reached the point of crisis, it also seems remarkable that they were unable to choose between the two key players: both have had to go. But they may have faced an impossible task, at least in the past week or two.

They could have found it difficult to find a new chief executive willing to work under the chairman, Lord Young, who had already managed to lose a number of senior figures from the top ranks of the company. And if they did not have complete confidence in Mr James Ross, the chief executive, the other option would have been closed to them as well.

All the same, this affair shows the limitations of what can be expected from non-executive directors, however well qualified they may appear on paper. In the end it is the personalities of the senior executive directors that make the difference: in this case, there seem to have been serious incompatibilities stretching back over a period

One issue has now been resolved: the new chairman has been appointed on a non-executive basis. The question is whether the company will now be granted the time to appoint a chief executive and build an agreed strategy, or whether some predator will attempt to take advantage of the current disarray.

A final thought: you could see why C&W, which has to develop delicate relationships with governments around the world, would want to appoint a political figure like Lord Young as chairman. The mistake was to allow confusion about his role. GEC also tends to appoint politicians to its chair, but has never left any doubt about who calls the shots

## Emu worries

The British prime minister is worried about European economic and monetary union. He is not alone. But Mr John Major's concerns are intriguing. This advocate of "variable geometry" - the idea that countries should not particinate equally in all aspects of the European Union's work - is apparently now disturbed by its

consequences. "In some areas of policy," Mr Major argued in his speech at the lord mayor of London's banquet on Monday. "variable geometry may be sensible, indeed inevitable. But it needs to be thought through. For instance, how would a single currency and the currencles of the rest of the EU co-exist? How would Europe's institutions serve the interests of those countries which adopted the single currency and those who didn't? What would it mean for the Community budget? What would it mean for

the single market?" France does fervently believe that a single market needs currency stability and, ideally, a single currency. Countries outside must, argue the French, bind themselves not to engage in competitive devaluation. But why should Mr Major, who heads a country held by France to be one of the practitioners of competitive devaluation, profess worries on this score? Emu would, in any case, merely prolong the existing situation within the single market. This would be intolerable only if the situation were intolera-

ble and something could be done about it. But nothing can be done about it, short of pushing everyone into Emu.

This Germany refuses to accept. preferring a small union among low inflation currencies to a wider union of higher inflation, unstable currencies. Given this decision. Emu would make Europe's chief currency just a bigger D-Mark. Members of the narrow Emu may then try to co-ordinate a wide range of policies, which would create a politically dominant voice in the EU. This would be extremely unwelcome to the UK. But if the UK is concerned about this danger, it should not let itself be

A number of administrative arrangements will indeed have to be thought through, such as monetary arrangements between Emu members and others and what currency to use for budgetary purposes. But these do not seem particularly difficult.

It is pozzling why the absence of currency arrangements between Emu members and those outside should worty a man prepared to live with floating exchange rates and why he fears Emu might increase the threat of currency instability to the single market. If the hard core were to become a mini political union, the EU would indeed be profoundly altered for those outside. But one cannot hope to enjoy the benefits of being outside and inside at one and the

# The myth behind the miracle

Tony Jackson asks how far corporate America's golden years of prosperity were based on an unrepeatable set of advantages

he resurgence of corpo-rate America, it seems, is an established feature of the 1990s. Even at this late stage in the eco-nomic cycle, growth in company profits is running at around 20 per cent a year. Many chief executives, already rubbing their hands over their annual bonuses, will tell you

there is more to come.

In the past five years, they say,
US industry has put in immense efforts to restructure and reform itself. While the latest economic upturn may have helped, it is not at the root of the recovery. American companies have pulled themselves

up by their own bootstraps.
It seems a far cry from the days when America was fearful of being eclipsed by the emerging glants of Asia. Now, with Japan in particular sunk in depression, US confidence has risen proportionally. "Technology is transforming the US economy into the most productive in the world," trumpeted the cover of the US magazine Business Week last month. "Higher living standards seem inevitable.'

Some more reflective US business leaders are less sure about that. Mr George Fisher, chairman of Kodak, points to the distorting effect of dollar weakness against the yen and D-Mark. "Much of our industry looks better than it really is," he says. "And because of the domestic situation in Japan, some Japanese companies don't look as strong as they really are."

Mr Fisher remains basically bullish on US competitiveness. A number of economic studies are less so. They share two common themes. First, America's performance must be judged over decades, rather than the latest cycle. Second, the final test of a nation's economic strength is not the profitability of its corporations, but the prosperity of its

people.

The supposed decline in the American standard of living is a familiar and hotly contested topic. While the average hourly wage, for traditionally played an important instance, has fallen by I per cent a year in real terms since 1974, adjustments need to be made for nonwage benefits such as pensions. Even so, it seems clear that the real income of the average family has remained flat for two decades.

Meanwhile, the US infant mortality rate is among the highest in the developed world. America's schoolchildren rank last among the big industrial nations in their grasp of science and mathematics. And while America's postgraduate education remains among the world's finest, the cost has risen by at least a third in real terms since 1980, far outpacing the average family's capacity to pay for it1.

At the same time, US corporations have reduced spending on capital investment and research and development, at least in relative terms. Capital expenditure is now running at around 2 per cent of gross domestic product, half the 1980 level. R&D expenditure, which grew at three times the rate of the economy in the period 1953-68, has since then lagged behind?.

for this, one of the gloomiest comes from the US economic historian and journalist Mr Jeffrey Madrick. In a recent book' he argues the economy, after well over a century of

remarkable expansion, hit the buff-ers with the first oil shock of 1973. From the civil war until 1973, Mr Madrick computes average real annual growth in US GDP at about 3.4 per cent. Since then, it has run at about 2 per cent. Year by year, the difference is slight. Over time the effect is devastating.

Mr Madrick's explanation of the change falls under two headings. First, America historically possessed the huge advantage of the biggest developed market in the world. Second, US companies pioneered the methods of mass production to serve that market.

Since then, the growth of world trade has robbed the US market of its unique character: other regions round the world have forged markets on an American scale. At the same time, mass production has been superseded by Japanese-style flexible manufacturing. As part of its recent restructuring, US industry has now caught up with these methods; but it has lost its comparative advantage.

The same applies in perhaps the most important area of all, technology. Take one of the most doggedly competitive of all US companies, General Electric. Besides being America's biggest company by market value, it continues to slog it out with international competitors in high-tech markets ranging from

aero engines to medical equipment.

Mr Lonnie Edelheit, GE's head of research, is careful to defend GE's research record. R&D spending is running at about \$1.7bn a year, and is highly productive. The company is filing for more patents than ever, at around 1,000 a year.

But, he concedes, spending is lower than it used to be. This is partly because of budget cuts at the US Department of Defence, which role in funding US industry. Even excluding the defence contribution, R&D is declining in relation to sales. GE long since abandoned basic research as unproductive. Now, its longer range applied research is shrinking too, in favour more immediate projects.

Mr Edelheit's explanation is historical. Take, he says, his company's invention of the modern X-ray tube in 1913. At the time, GE was probably the only place in the world with the relevant technol-

"Even in the mid-1970s," he says. "when we invented the CAT scanner [a medical scanning device], very few companies could have done it, and not the Japanese. But now everyone has the technology: Siemens, Philips, Toshiba, Hitachi, the Koreans and the Taiwanese. Everything we do has to be done more quickly." Looking forward, his point can be

illustrated by perhaps the most explosive innovation of the late 1990s, the Internet. This is an American invention, and indeed had its earliest origins in the now cash-strapped US Department of

American expertise with the Internet, the worldwide computer network, has already created a generation of millionaires, one of the most striking being 24-year-old Mr Marc Andreesen, Netscape, a company he co-founded last year to provide software for the internet, now has a market value of more than

Competitiveness: is the US too complacent?

Long-term real growth in standard of living\*, 1984-54 (%

1.5

Five-year moving average

Net non-residential fixed investment (as % of GDS

But there is nothing proprietary about the Internet. In theory, Mr Andreesen's feat could be matched tomorrow by any bright graduate student with a personal computer in Madras or Shanghai. Mr Fisher of Kodak does not dis-

agree with this. The Internet, he says, is part of the democratisation of software. The useful life of technology is getting steadily shorter. But that, he says, is all part of the game. "It comes down to cycle

times. You have to do it faster, in an environment which is increasingly based on open standards and systems. I think intellectual property, whether in hardware or software, is more important than ever. It's just that the time advantage is shrinking." And, he is clear. America is up to

Non-defence R&D (as #4 of GDP)

the job. "There have been significant improvements in US industry in respect of the fundamentals: in quality and cycle times, whether in factories or in new products. Those are real, and I think they're permanent if people keep up the pres-

That in turn may be beside the point. The issue is no longer whether US industry can hold its own in an increasingly competitive world; it can doubtless do so. The question is rather how far the eolden years of American prosperity were based on an unrepeatable set of advantages: in markets, technologies and manufacturing tech-

In that context, the present mood of complacency seems slightly perverse. Mr Edelheit of GE regularly attends meetings of the Industrial Research Institute, a group of industrial scientists. A few years ago, he recalls, the talk was all of productivity and getting costs

"The last couple of meetings," be says, "the mood has been that we're back to the old days and everything's okay. That's not the world l

Council on Competitiveness: Human Resources Competitiveness Profile. Institute for the Future: The Future of America's Research-intensive Industries. The End of Affluence

## OBSERVER

#### Brussels roundabout

There are some long faces in Sir Leon Brittan's cabinet. Faced with the task of appointing a new chef de cabinet, the former British trade and industry secretary has overlooked the amhitious types in his own cabinet, and brought in a career UK civil servant.

Ivan Rogers, 35, an ex-Balliol man who used to be private secretary to chancellor of the exchequer Kenneth Clarke, willsoon be packing his bags and oining Sir Leon. He knows his way around Brussels as he has been at Clarke's side during the endless Euromoney meetings. Nevertheless, the appointment has miffled feathers and Rogers' success will be measured by his ability to bring the best out of the more disgruntled of his new

It will be interesting to see if Mrs Ritt Bierregaard, the Danish commissioner whose unofficial, unpublished diaries on life in Brussels made gripping reading, makes as brave an appointment to the new vacancy in her cabinet. John Iversen, her embattled press spokesman, has decided that returning to Strasbourg as a Danish MEP, is a much safer bet then defending his trouble prone Danish commissioner for the environment. Prospective candidates should

know Mrs Bjerregaard prefers Danes, that knowledge of the environment might not be ability to catch flak is essential.

Decisive moment When European Union ministers hear the word culture they reach

for their - scattergun Nine cities have been fighting for the title of European Culture. Capital in the year 2000. So how do you weigh the relative merits of Avignon, Bergen, Bologna, Prague, Reykjavik and Santiago de Compostela? Spanish culture minister Carmen Alborch Bataller acknowledged it was a tricky one So he and fellow ministers decided to approve all nine. A useful technique that might be borne in mind by his financial colleagues if they reach a real impasse in the single currency talks?

#### Deutsche dust

■ So the dust has yet to settle at Deutsche Morgan Grenfell. As the German bank integrates itsinvestment banking activities, it is losing some high profile people onthe way. Last week, corporate. finance head Guy Dawson packed his bass for Merrill Lynch, Now Deutsche Bank's head of equity research, 47-year-old Thomas Neisse, is off.

Deutsche was unhelpfully reticent yesterday concerning the destination of its latest departure, and the normally outspoken Neisse was also keeping his counsel. It transpires however that Neisse is taking a top asset management job at Bayerische Vereinsbank.

Once upon a time, the Munich bank would not have held much allure for the big boys at Deutsche. But Vereinsbank is growing fast and is immersed in talks to buy US investment banking group Oppenheimer. Things are changing too at the once deeply hierarchical Deutsche. Neisse's replacement is Hans-Dieter Klein, a top equity strategist at DB Research. He is a mere 33 years old

#### Check it out

■ The Bardlay brothers may have successfully fulfilled a 30-year dream in acquiring the Ritz Hotel. But their almost obsessive reclusiveness sits a bit oddly with all that glad-handing necessary to sustain such a grand old. institution. What they need is a well-connected chairman for their new £75m pad.

As it happens, the very man is more or less on their doorstep - in the offices of Chime, Sir Tim Bell's holding company in which the Barclays hold a stake. Giles Shepard has been taking refuge there since he stood down from the managing directorship of the Savoy last year.

Shepard, who was a director of the Dorchester in the mid 1970s before joining the Savoy, is thought to be missing the pleasures of luxury hotel life. The impeccably connected old Etonian

would make an ideal front man. knowledge of wine. Shepard would pay some overdue attention to the Ritz's cellar. And he would need no introduction to Tom O'Connell, the new general manager, a wry Irishman who used to be food and beverage manager at the Savoy.

#### Casting his net

■ Whatever happened to Jacques Attali since he was left office as president of the European Bank for Reconstruction and Development? Attali, 52, who used to be President François Mitterrand's closest adviser, has been keeping his head down. But he's resurfaced in an article on the Internet for the December issue of Prospect, a UK monthly magazine, wherein he chooses to describe himself as "a writer living in Paris".

Of course, readers of Le Monde will have already supped at this table. For Prospect's article bears a striking resemblance to a piece Attali penned earlier in the month for that publication. The only difference is that in Le Monde he was billed as a former special counsellor to President Mitterrand former president of the EBRD, and member of the Conseil d'Etat.

## Ginancial Times

#### 50 years ago Washington: Why Worry?

For several weeks now we have been hoping for news of an Anglo-American financial agreement, but a succession of difficulties has arisen to prevent a completely satisfactory solution. There can be no doubt that a breakdown in these negotiations would be regarded as a major disaster in Whitehall. Yet the general public appears largely indifferent. There is a tendency to argue that if the Americans are not prepared to grant us a loan we shall get along somehow, so why worry?

To answer this raises some fundamental questions including the relative advantages of bilateral and multilateral trading and the possible political as well as economic consequences of a trade war with the United States. There can be no doubt, as Lord Keynes has acknowledged, that a solution of sorts would be to do the best we could with the resources still at our command and aim at emerging from our difficulties with as little outside aid as possible.

Can we expect the sterling area to grant us all the credit we shall need in the next few years? We shall undoubtedly have to buy some things from foreign countries to prevent too drastic a fall in our standard of living.



## FINANCIAL TIMES

Wednesday November 22 1995



## Royal fans across the globe tune in to Diana

which loves its soap operas, it was the most watched programme in its television history. In the Netherlands, more than half a million people tuned

The frank interview given by the Princess of Wales to the Brit-ish Broadcasting Corporation on Monday was compulsive viewing for royal watchers across the

But the interview, in which the princess admitted committing edultery with a former cavalry officer and said she did not expect to become queen, caused consternation in the UK's royal household and among British MPs. Conservatives said it was likely to increase pressure for the royal couple to clarify their constitutional position by divorcing.

Many MPs appeared sympathetic to the Princess's predicament, reflecting overwhelming public sympathy. But most said the open divisions between Prince Charles and his wife could not be allowed to continue indefi-

nitely.
As the interview continued to appear on millions of television screens around the world, Princess Diana remained out of sight in Kensington Palace. Prince Charles, on a visit to Newlyn, Cornwall, ignored questions about the programme.

Buckingham Palace sought to calm suggestions of a constitu-tional crisis by offering talks with Princess Diana to help define her future role.

A conciliatory statement, issued on behalf of the Queen, the Duke of Edinburgh and the

-n Australia, a country Frank BBC interview attracts record audiences, write Kevin **Brown and Raymond Snoddy** 

Mr Nicholas Soames, the armed

The Australian Broadcasting

(\$55,000) under their long-term

links, repeated the entire inter-

view in peak evening viewing time last night. Only the Royal

couple's wedding in 1981 drew

anywhere near the same interest

among Australian viewers.

In Holland – like the UK,

another monarchy - tallies from

the Dutch broadcasting organisa-

tion showed that 520,000 switched

to the BBC to watch the hour-

long programme, the Dutch ANP

Power demand surges as Diana

DM700m. As a result, the margin

for compromise is small. Wage

restraint and more flexible work-

ing hours could reduce the

impact, but short and flexible

working hours are already com-mon practice in Dasa factories,

leaving little headroom for pro-

ductivity gains under present

show goes live, Page 11 Observer, Page 17

news agency said.



Prince Charles boards a trawler the south west English town of Newlyn yesterday

cials to reflect the royal family's generous, constructive and help-ful approach to the princess.

Mr John Major, the Prime Minister, also sought to defuse the impact of the broadcast, in which the Princess also cast doubt on the Prince's suitability to become king, and spoke of the royal household as her "enemy"

A senior official said Mr Major had not seen the interview, although he was expected to have

Dasa faces action over plan to sack 9,000

a heavily publicised protest. Mr

Alfred Tacke, state secretary at

Under German labour laws,

the economics ministry in SPD-

Dasa agreed to compromise.

## Leader of **Chinese** dissident movement

China announced yesterday that its leading dissident would be tried on charges carrying the death penalty, in a move which eems certain to affect fragile

ful." Sino-US relations have been rocked this year by arguments over Taiwan and other issues, but had improved after a meeting in New York last month between the leaders of the two countries.

cado ever since.

forum, which was attended by Chinese President Jiang Zemin.

It also follows Mr Jiang's visit to New York in October to address the United Nations 50th anniversary celebrations. His meeting with President Bill Clin-

Mr Deng had recently unveiled and military advances.

During his parole last year Mr Wei did not hesitate to criticise

# faces trial By Tony Walker in Beijing

Sino-US relations.

The official Xinhua news agency said Mr Wei Jingsheng had been arrested for "engaging in activities in an attempt to overthrow the Chinese government". He had been charged after an investigation by Beijing's municipal public security depart-

In Beijing, a US official said: "This certainly will not be help-

The 44-year-old Mr Wei, who is regarded as the father of China's dissident movement, was previously sentenced to 15 years' jail in 1979 on similar charges. He was released on parole in 1993, but was detained 20 months ago and had been held incommuni-

The timing of China's decision to press charges against Mr Wei is certain to be regarded as cynical, since it comes just days after a summit in Japan of the Asia Pacific Economic Co-operation

ton coincided with those events. The official Xinhua report said a police inquiry showed "Wei had conducted activities in an attempt to overthrow the government after his release on parole. His actions were in violation of the criminal law and constituted

At the least, Mr Wei faces another long jail sentence and his case will almost certainly become something of an international human rights cause célèbre. and their supporters in Congress can be expected to be especially vocal on the issue. Mr Wei first came to world

notice in 1979 as one of the leaders of the "democracy wall movement" in China in which dissidents openly displayed their views in posters on the wall of a bus station in Beijing. He had forcefully advocated democracy for China, describing it as the "fifth modernisation" and had openly criticised Mr Deng Xiaoping, the paramount leader.

the four modernisations pro-gramme which had focused on industrial, scientific, agricultural

China's human rights behaviour.

#### controlled Lower Saxony, said Dasa's decision had met "great bewilderment". He predicted a "long-lasting dispute" unless

Continued from Page 1

over DM1.5bn (\$1.07bn), which resulted largely from exchange rate loss provision for Dasa. Over the last six weeks, Dasa workers have staged demonstra-

tions in several German cities, culminating in a one-day walkout on Monday.

Senior politicians from the Social Democratic party (SPD) have publicly pledged to fight for jobs at the company. At last Mannheim, Dasa workers staged

has simply failed to pay

But, while the government's tight-fisted measures have

helped stabilise the exchange

rate of the rouble and brought

inflation down to its lowest lev-

els since the collaspe of the Soviet Union, the painful side-ef-

fects of austerity could hurt the

current administration when

voters go to the polls in parlia-

**Europe today** 

The British Isles will be sunny. Northern freland and Scotland will have showers.

The Iberian peninsula will be dry. The south will have plenty of sunshine, while the north will be cloudy with rain along the Costa Verde. France and the Benelux will be

conditions will prevail in Germany, the Alps and eastern Europe, where temperatures will reach freezing. Patchy fog is expected

in Russia. A depression in the Black Sea region will bring snow to the eastern Carpethians and heavy rain along Turkey's

Russia, the Ukraine and the Balkans will continue dry and calm over the next couple

of days. The Mediterranean will become unsettled with occasional rain and thunde it will be dry and sunny on the iberian peninsula until Saturday, when an Atlantic low pressure system will move into the Bay of Biscay. The low will result in occasional rain and strong winds in the British Isles. the Benelux and south-west Scandinavia

Russia

Continued from Page 1

#### esterday's formal decision will The annual cost savings of be followed by extensive consul-DM700m would allow the com-pany to hit the target imposed by tations between Dasa's management and works councils. How-Daimler-Benz of a 12 per cent ever, the company has made it

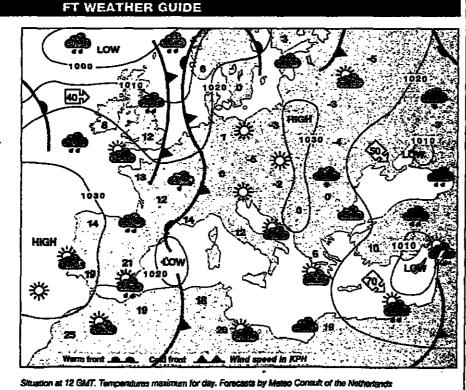
on its plans for annual savings of dollar rate of DM1.35.

MPs back 'cold calling' ban Continued from Page 1

amendments, leading to a process of conciliation between the two institutions in an attempt to reach a compromise. However, negotiations could be complicated by splits between the member states. At one extreme, Germany and Luxembourg outlaw cold calling and at the other end sellers in the UK operate under a very liberal regime. In between are countries such as Denmark, where cold calling is banned for some products, and France, where sellers are free to tele-

sale but cannot exchange a con-tract over the phone. Fedim, the European-wide direct marketing association, estimates that 1.5m full-time workers are employed in the industry in the EU and many more part-timers.

It warned that inclusion of e-mail in the proposed legislation would damage the development of the information superhighway. It is particularly worried about the effect of the ban on small and medium sized companies which use telemarketing to break into



Five-day forecast

More and more experienced travellers make us their first choice.

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THE LEX COLUMN

## Young & Ross-less

Cable and Wireless has recently looked more like Britain's royal family than a serious corporation. Like the Princess of Wales, Mr James Ross, chief executive, promised not to go quietly. Fortunately, unlike the royal family's squabble, C&Ws dispute has

taken less than a week to resolve. While the shenanigans have been messy, shareholders should be pleased at the outcome. The power struggle at the top of C&W has prevented the group from steering a clear course. Though Lord Young, executive chairman until yesterday, and Mr Ross have their qualities, both are to blame in differing ways for the group's confused strategy and poor management A clean sweep will allow a fresh start - which would not have been possible if either had stayed in his post.

The non-executive directors dithered about which of the warring parties to back, but in the end have come up with the right solution. They also will not repeat the mistake of entrusting the company to an executive chairman and a chief executive. Other companies should note that, while the principle of splitting the roles of chairman and chief executive is sound, the chairman in general should be non-

Whoever is recruited as the next chief executive - and it should be an outsider - will need to review both strategy and management. The ill-conceived "federation" strategy should be jettisoned. Instead, the new leader should weld C&W's worldwide operations into a single entity. That would boost its share price, since C&W is currently viewed more as an investment trust trading at a big discount to the sum of its parts than an integrated company. If the new management were willing to contemplate surrendering C&W's independence, the upside would be even greater. The group encompasses a unique spread of assets which would be appealing to many international telecoms groups.

#### Credito Italiano

Examples of big Italian companies selling investors' interests short keep on mounting. In the latest case, Credito Italiano (Credit) has devised a poison pill which looks like a naked attempt to protect the bank from take-over. The pill is contained in a shareholder pact with Carimonts, a banking foundation which helped Credit in this year's I.3,770hn (\$2.26hn) takeover of Credito Romagnolo (Rolo). It specifies that if Credit is itself acquired, Cari-



monte will have the right to buy

With Credit's stock languishing at around 70 per cent of net asset value, the bank previously looked vulnerable to a takeover. Even the fact that allies of Mediobanca, the Milanese merchant bank, in effect control the group might have given little protection, since their total shareholding is fairly small. But the poison pill now makes it unlikely that anybody would bid since Rolo is Credit's most attractive asset; a potential bidder would worry that Carimonte might buy the stake at a knockdown price. Credit's shareholders are being robbed of the chance of receiv-

ing a premium for their shares. This sorry tale reflects poorly not only on Credit's management but on Italian stock market regulations, which do not ban such poison pills or require prior shareholder approval. Consob, the stock market authority, has not even forced Credit to reveal the terms under which Carimonte would have the right to buy the Rolo stake. That is the least it should do.

#### Vodafone

The sharp drop in Vodafone's share price yesterday, despite à 12 per cent year-on-year increase in earnings, suggests US investors have lost some of their enthusiasm for the stock. It is a timely reminder that Vodafone is a high-risk investment.

Although the results themselves were respectable, Vodafone makes no bones of the fact that demand growth in the UK market, from which it still makes more than 100 per cent of its profits, is slowing. It is far from cer-

tain that this Christmas is going to be as good as the last. And almost all Vodafone's new UK customers are individuals - bad news because they cost as much as businesses to attract, but tend to use their telephones much but tent to the transiting that revenues per subscriber are down. Moreover, the full effects of competition have yet to be felt. Tariffs. for instance, have not yet been seriously cut.

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The shares have fallen recently but are still on a forward price/earnings multiple of 26 - a huge premium to the market. Some of that is justified by growth prospects overseas. But the shares still look far from cheap.

#### National Grid

The grey market in National Grid shares, which opens today. offers investors a chance to buy, at £2.20 or more, shares which few think are worth much more than \$2. This is not quite as silly as it sounds: the Grid will join the FT-SE 100 index, so tracking funds need to buy heavily and this will push up the price - but only in the very short run. Apart from any thing else, 60 per cent of the compa-ny's shares have to be released within a year: if the price remains high, these will be sold quickly. Long-term inves tors should probably wait until the initial excitement is over before buy

But the prospects thereafter are good. The market thinks the shares should be valued at a 40-50 per cent yield premium, in line with water stocks. This comparison makes the Grid look cheap. Long-term dividend prospects in the water sector - whose investment programme will consume a lot more cash and where regulatory risks are greater - look distinctly worse. It should give pause for thought that valuing the Grid on a discounted cash flow basis produces price nearer £2.50 than £2.

The snag is that the Grid is unlikely to shine for some time. The immediate outlook is dominated by next year's regulatory review. This is not expec ted to be punitive, but does mean the company has little incentive to pursue ostentatious cost-cutting, further gearing up or writing back some of its generous provisions until the review is over. Nor is Energis, its loss-making fibre-optic network, likely to come good quickly. Investors will have to be

> Additional Lex comment on De La Ripe on Page 22

This announcement appears as a matter of record only

## GUCCI

28,175,000 Common Shares

Gucci Group N.V.

Initial Public Offering

Price \$22 per New York Share and NLG 34.155 per Dutch Share

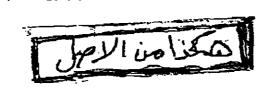
Morgan Stanley & Co.

CS First Boston

The undersigned, and a group of international investors arranged by the undersigned, were significant shareholders at the date of this offering

**INVESTCORP** 

October 1995



Dow buys

**Argentine** 

By David Pilling in Buenos Aires

A consortium led by Dow Chemical of the US has secured

control of a proportion of Argen-

tina's ethylene and PVC produc-

tion through the \$357.5m pur-

chase of government stakes in

two chemical companies.

Dow, together with YPF, the

Argentine hydrocarbons group, and Itochu of Japan, beat off a

local consortium to acquire 51

per cent of Petroquimica Bahia Blanca (PBB) and 38.18 per cent

of Indupa. PBB owns 12.9 of

Indupa, giving the winning con-sortium indirect control of both

Indupa is the country's largest

producer of PVC with annual

sales of \$250m. However, it faces environmental clean-up costs.

mostly at its Cinco Saltas site,

chunk of

ethylene

#### IN BRIEF

Profittent

## AssiDomän loses Czech paper fight

Stratton, the US investment company, inflicted a heavy defeat on AssiDomän, the Swedish forest products group, when it secured control of the management board of Sepap, the Czech paper producer at the centre of the Czech Republic's first big corporate takeover battle. Page 18

KNP rules out more packaging sell-offs KNP BT, the Dutch paper and packaging group, said it had no plans to carry out further divestments in packaging. Page 18

Wella downbeat after 22% decline Wella, the German haircare and cosmetics group, remains pessimistic about its immediate financial prospects, according to its nine-month earnings report. The company said annual pre-tax profits had fallen by 22.1 per cent to DM88m (\$63.8m). Page 18

siness and government sales lift Dell Dell Computer, the US personal computer manufacturer, reported an 82 per cent jump in net income for its third fiscal quarter. The company said sales to businesses and government agencies had accounted for 90 per cent of revenues. Page 19

Coles Myer break-up 'on board's agenda Coles Myer, the large Australian retailer, told shareholders it was pursuing a break-up proposal. Mr Nobby Clark, chairman, said: "A review of the restructuring option remains firmly on the board's agenda." Page 20

IDBI 30% ahead at halfway stage The Industrial Development Bank of India, the country's biggest state financial institution, reported a 30.1 per cent rise in pre-tax profit, inclusive of capital gains, to Rs6.53bn (\$187m) for the first half to September 30. Page 20

Thorn EMI demerger plan due next autumn Sir Colin Southgate, chairman of Thorn EMI, con-firmed that plans to demerge the UK group's music and rental interests were on schedule and that he expected to announce formal demerger proposals next autumn. Page 22

Gold diggers follow the termite trail Termites provided vital clues in the discovery of a potentially substantial gold deposit in the west African republic of Niger. The insects burrow and carry back to the surface traces of gold or other minerals.

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Govett & Co

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## Chairman and chief executive leave 'with immediate effect' as crisis talks fail

## C&W loses top men after bitter power struggle

By Alan Cane and Peggy

Lord Young of Graffham, chairman of Cable and Wireless since 1991, and Mr James Ross, its chief executive, left the com-pany yesterday after two days of crisis talks failed to resolve a rancorous power struggle between the two men.

The group's non-executive directors, led by Mr Winfried Bischoff, chairman of Schroders, the merchant bank, spent Monday and most of yesterday in talks to find a compromise.

Yesterday afternoon, however, the two men were asked to leave the company "with immediate effect". C&W refused to say if they had been asked to resign or had been fired. It is understood they will be entitled to their contractual rights. Mr Ross, with total remuneration last year of £391,275, has a one-year rolling contract; Lord /Young, who earned £479,247, has no formal contract, C&W said.

Dr Brian Smith, chairman of the British Airports Authority and a non-executive director of C&W until June 1995, has been appointed non-executive chairman. A board committee under his chairmanship will be formed to select a new chief executive "as soon as possible".

Lord Young said he was sad to leave but believed it was in the hest interests of the company "in the present circumstances". Mr Ross said he was disappointed to be leaving at an important stage in its evolution.

Rumours of a breakdown in the relationship between Lord Young and his chief executive had been rife for some months. Analysts complained of a lack of focus in C&W's strategy.

The bitterness between the two men surfaced last week after



End of the line: Lord Young, C&W chairman, leaving the offices of Schroders in London yesterday

Lord Young announced he intended to retire on his 65th birthday in 15 months. It that Mr Ross had rejected a proposal from the nonexecutive directors that he retire early in 1997 so that a new chief

executive could be brought in. of the board, said: "This has been Deep disagreements among the non-executive directors over how to proceed led to the meetings on Monday and yesterday.

Mr Rod Olsen, chief financial officer and an executive member a damaging dispute concerning personalities rather than poli-

Editorial Comment, Page 15; Lex, Page 16; Profile and Enter-

#### and a backlog of maintenance investment. The more attractive catch for Dow, which has a stake of about 70 per cent stake in the consortium, is the ethylene producer,

Dow has been keen to gain a foothold in ethylene production in the region in order to supply its polyethylene plants in Chile

With annual sales of \$150m, PBB produces 245,000 tonnes of ethylene a year, accounting for 81 per cent of the Argentine market. Dow plans to double this capacity, at a cost of between \$300m

The expansion will require YPF to go ahead with the construction of a gas separation plant for the production of ethane, needed to manufacture ethylene. The YPF plant, which would be built at its Patagonian gas fields in Neuquén, would cost around \$300m.

Mr Cedric Bridger, YPF vice-president of finance and corporate development, confirmed that winning the privatisation "gives us the possibility of building a mega-project in Neuquén" which would enable the company to "add value to YPF gas". The group is Argentina's biggest gas

The Dow offer came ahead of the only other offer, \$306.1m from a consortium of Perez Compane, the Argentine energy-based group, and Copesul of Brazil. The cash-strapped Argentine govern-ment had only expected to raise \$250m-\$300m from the privatisation. Earlier this month, YPF bought a 10.62 per cent stake in PBB from Imperial Chemicals Industries of the UK for \$16m. DSM purchase, Page 18

## Goldman overhauls management structure

By Richard Waters in New York

Goldman Sachs has carried out the first overhaul of its management structure in 25 years, signalling a response by Wall Street's last big private partnership to one of the most turbulent periods in its history.

The changes will leave Goldman with an organisation that looks more like a corporation, and will put greater power in the hands of a small management group led by Mr Jon Corzine, who became chairman at the beginning of this year.

Goldman executives said the changes were not part of a plan to turn the US investment bank into a public company. One person close to the over-

haul said that the question of whether the bank should remain a partnership has been studied "on its own track", and that the bank was "always evaluating fits capital structure". He said the latest management changes were to make the bank function better as a partnership.

The changes come a year after Goldman was hit by a slump in profits and a wave of early

retirements. This threatened to committee will be cut to six peoput pressure on its capital base, rekindling questions about whether the bank would seek a stock market listing.

While that possibility remains, the immediate pressure has been lifted by a rebound in earnings this year. Like other big Wall Street firms, Goldman has responded to last year's bond market rout by cutting the market risks it takes, which has reduced its need for capital. Under the latest management

changes, unveiled to partners on Monday, the bank's executive ple. It had 12 members a year ago, before retirements cut the number temporarily to eight. Mr Corzine also handed much

of the day-to-day responsibility to a new 19-person operating committee. The move is a response to the growth of the bank into new countries and businesses, which have put a strain on its management structure, according to one executive. Goldman has also set up a

committee to represent its part-ners. This committee, also with 19 members, will consider the

size and make-up of the partner-ship, as well as the best capital structure for the firm. Besides Mr Corzine, the executive committee members will be Mr Henry Paulson, vice-chair-

man; Mr Roy Zuckerberg and Mr David Silfen, co-heads of the equity department; Mr Robert Hurst, co-head of investment banking; and Mr John Thain. chief financial officer.

Mr Mike Overlock, the second co-head of investment banking, will step down from the committee, along with Mr Robert Katz, the firm's general counsel.

## De La Rue shares slide on profits warning

By Christopher Price in London

Shares in De La Rue fell more than one fifth yesterday after the UK banknote and specialist printing group warned that full-year profits would fall below last year. The warning came as the group reported

half-year pre-tax profits of £69.1m (\$109m), a 5 per cent decline on last year's £72.8m. This was about £6m below market expectasix months to September 30 rose 7 per cent for E347m. 

£91m - and a fall in prices. Profits retreated from £31m to £216m. Mr Mar-

20

18

year from about £170m to £140m. The

shares closed 165p lower at 735p.

Mr Jeremy Marshall, chief executive, denied the decline was part of a macroeconomic trend. "This is the culmination of a number of things coming to a head and is particular to this company. But the fundamentals of the business are sound."

All three De La Rue divisions suffered a

tions, already lowered by a profits warn-ing in March and cautious remarks at the annual meeting in July. Turnover for the

Analysts cut their forecasts for the full shall said the company's previous record sales growth was settling to a more realis-

The Portals specialist printing business, which De La Rue bought for £582m in December last year, contributed £10.3m of operating profits.

Profits from the payment systems sub-sidiary fell 25 per cent to £12.3m. The com-pany said consolidation in the US banking industry had led to a fall in orders, there had also been an increase in costs for shifting its US production units. Competi-tive pressures continued to depress Garny, the German payments systems business.

tery in the UK, in which De La Rue holds a 22.5 per cent stake, earned the group £8.1m. However, profits from Giori, the group's Swiss-based banknote printing equipment associate, fell from £13.7m to E3.9m on weaker orders, compared with

record sales last year.
Mr Marshall said investments being made in all areas of the business would bring some recovery in 1996.

Earnings per share fell 17 per cent to 23p. The interim dividend was raised 3 per

cent to 7.25p. Lex, Page 22; Camelot results, Page 22

## The emerging markets fail to stick to the script

**Barry Riley** 



rialise in 1996? Hope and hype spring eternally.

The emerging markets invest-ment industry which grew fat on the last boom in 1998 has been cooling its heels ever since. This year was supposed to display recovery potential after the problems of 1994. But gallingly, the developed markets have stolen the show, especially that most mature, ex-growth and suppos edly played-out of them all, Wall

During the early summer it seemed that the emerging markets were recovering their poise but recently many of them have flopped out again. Although global liquidity measures show a clear upturn in the past six months or so the money is evi-dently not flowing to the emerg-ing markets but is becoming trapped in the US: thus the IFC Composite Index of emerging markets is at a new low, off 20 per cent for the year so far. Meanwhile, the FT/S&P World Index, mostly reflecting developed markets, is up 18 per cent

(in dollars). Yet the underlying economic growth story still holds good in Asia, where many economies have been continuing to expend at about 8 per cent. Latin America is a rather different story, with Mexico, Argentina and Brazil all going through the economic mangle this year. There will be little growth in 1995 in Latin America as a whole.

investors' confidence in the emerging markets story. That problem has re-emerged in recent weeks, with the Mexican index (in dollars) off nearly 30 per cent for two problems and the first two published by Merrill Lynch, shows Pacific Basin enthusiasm still rising, with Hong Kong by far the most popular market.

Figures from WM, the performance measurement compulsation. the promised emerging markets story. That boom at last mate problem has re-emerged in recent in two months.

Arguably, Latin America and emerging Asia were really always completely different stories, and should not have been muddled up in the promotion of global emerging markets as a distinct asset

The British have been the first to join the new party but are worried about when the fun will start

Now the Americans have become distracted by their domestic boom in emerging growth and technology. In nearly 11 months the Nasdaq Index has achieved 70 per cent gain relative to the IFC Composite Index. equities in Hong Kong but only the same into the rest of Asia (outside Japan) put together. And

by the second quarter Americans

were net sellers of Latin Ameri-

Of the other global investors the Japanese have been licking their wounds at home while the UK institutions are fully commit-Latin America as a whole.

But the big problem is that party but are getting worried

After the American investors have been about when the fun will start disappointments distracted. Last winter's Mexican The November Gallup survey of in emerging mar-kets in 1995 will investors' confidence in the promised emerging markets at a substantial opinion, now

> mance measurement consultants, for UK pension funds suggest they may have piled nearly \$3bn the third quarter, and they have a bigger exposure to this region (nearly 5 per cent of their total portfolios) than to either the US

The latest love affair with Hong Kong may reflect its repu-Wall Street, so that British fund managers now hope that they can pull back their losses from underweighting US equities. But the blg question is whether the old rules apply as Hong Kong approaches Chinese rule, now little more than 18 months away. Hong Kong's altered political status must affect the stock market's future behaviour.

Hong Kong has done reasonably well in 1995 and although it has weakened since September the market is about 10 per cent up on the year. The broader pic-In the first half of the year US ture of the Pacific Basin is indi-investors put about \$1.5m into cated by the 16 per cent decline in the IFC's Asian Index

The main bullish argument for the emerging markets is that they can be seen as an end-cycle game, as in 1993, when they raced up towards the year-end. This time, profits taken in US equities might be recycled into emerging markets. But the lesson to be drawn from the uneven pattern is that the markets will have to be chosen with great care, not to say good fortune.

## £50 million Acquisition Personnel Hygiene Services Limited



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This announcement appears as a matter of record only OCTOBER 1995

#### INTERNATIONAL COMPANIES AND FINANCE

#### EUROPEAN NEWS DIGEST

## Swedish bank ahead at nine-month stage

Svenska Handelsbanken, one of Sweden's leading commercial banks, reported a 17 per cent increase in profits at nine months to SKr3.7bn (\$563m). The performance showed the group continuing to build on its strong position in the Swedish market, as it benefited from increased market share, higher net interest income and reduced credit losses. It also gained from its expansion into other Nordic countries.

Credit losses fell 18 per cent to SKr1.76bn as the impact of Sweden's loan-loss crisis at the start of the decade further receded. Handelsbanken also managed to increase net interest income by 8 per cent to SKr7.2bn, despite intense competition and narrower margins in the Swedish banking market. The bank's lending activity has risen sharply this year in the face of depressed demand.

The group, which this year acquired the healthy parts of Finland's Skopbank, said its Finnish activities contributed SKr130m to nine-month profit. But the expansion helped to raise group costs 11 per cent to SKr4.58bn. The bank said it was considering a demerger of Näckebro, the unit grouping the real estate activities taken over during Sweden's banking crisis. Christopher Brown-Humes, Stockholm

#### Lazard Frères to advise on MGM

Lazard Frères, the Paris-based investment bank, yesterday won the contract as adviser for the restructuring and sale of MGM, the film studio acquired by Credit Lyonnais, the French state-owned banking group, in 1992. The mandate was awarded by Consortium des Réalisations, the company set up by the state as part of the rescue package for the French bank. Lazard, whose parent company is 50 per cent-owned by Pearson, publisher of the Financial Times, is expected to decide on the future of MGM in the first third of next year. It could involve a full sale, a merger, or splitting of the group into different units.

Andrew Jack, Paris

#### Ruhrgas to raise Norway imports

Ruhrgas, Germany's largest gas distributor, will double its share of Norwegian gas imports after the completion of a stretch of gas pipeline across northern Germany. The 292 km pipeline is the culmination a DM3bn (\$2.12bn) investment by Netra, a consortium of gas producers headed by Ruhrgas and including BEB Erdgas und Erdöl of Hanover, and Norway's Statoil. The investment, which involves building a 1,000-km pipeline, will link the southern, eastern and western parts of Germany to Norway. Ruhrgas said the completion of the gas pipeline would

enable it to increase its annual imports of Norwegian gas from the current 11bn cubic metres to 30bn cubic metres by 2005. At the same time, the Norwegian gas industry's share of Germany's total gas imports would rise from 15 per cent to 30 per cent over the same period. Judy Dempsey, Berlin

#### Police raid Turin companies

Italian police yesterday took documents from three Turin-based companies - including IFI, the main holding company of the Agnellis, Fiat's founding family - as part of Milan magistrates' investigation of financial irregularities at Gemina, the Italian investment company, and its subsidiaries Losses at Gemina are expected to reach L468bn (\$293m) this year, partly because of bad debts in RCS Libri e Grandi Opere, the publishing subsidiary which sells lavish publications in instalments. The core of the company was the Fabbri publishing operation, bought in 1990 from IFI for L300bn. IFI had offered to refund any differences between the

original purchase price and RCS's subsequent valuation of Fabbri in the months after the transfer. But RCS made clear it was happy with what it had paid, and absolved the Agnelli company of any responsibility for future financial problems. When Mr Francesco Varcasia, Gemina's new chief executive, announced a clean-up of Gemina and RCS on Monday, he said he believed any losses arose after the acquisition of Fabbri from IFL Milan magistrates have put directors and former ctors of Gemina and RCS under investigation for all falsification of accounts. Andrew Hill, Milan

#### **GM** considers Saab involvement

Mr Richard Donnelly, president of General Motors Corp's GM Europe division, yesterday said a capital injection into Saab Automobile was a "possibility". Mr Donnelly told AFX News at a Swiss-American Chamber of Commerce function: "The point is that Saab has to return to become profitable in the long term and that a capital injection is one possibility." GM had already made important steps at improving Saab's profitability through cost reductions and sharing a basic automotive platform, he said.

#### France Télécom in debt drive

France Telecom, the state-owned operator, is stepping up efforts to reduce debts in a move to strengthen its competitive position ahead of European telecoms liberalisation and possibly to prepare the way for an eventual sale of shares in the company. A board meeting tomorrow is expected to confirm that debts this year will fall by between FFr12bn and FFr17bn (\$3.49bn), from FFr95bn at the end of last year, depending on the level of dividend payments to the state. The decrease, higher than forecast, is a result of lower investment costs, stronger cashflow and the fact that payment for a stake in Sprint of the US has been pushed back to 1996. The French operator said its planning contract with the

government for the period 1995-1998 called for a reduction in debts from FFr95bn to FFr45bn. The company said its aim was to reduce the ratio of financial charges to sales from about 5.6 per cent at the end of last year to the level of its main

#### Linotype-Hell expects loss

Linotype-Hell, the German printing equipment maker, said it expected a loss this year of between DM-0m and DM50m (\$35.4m) before taking account of reserves for job-cuts. The business has failed to recover from a slow start to 1995. It also said about 300 jobs would be cut by the middle of next year from the 2,450-strong workforce. However, Linotype said it was striving for as close as possible to break-even next year.

Andrew Fisher, Frankfurt

#### Citroën plans new model

Citroën, the French car manufacturer, yesterday announced that it is launching a new model, the Saxo, to reinforce the lower end of its range. The company, a division of the PSA Peugeot Citroën group, said the car would be launched in the French market at the end of February next year and in other European markets in March. The new model, which is part of a broader renewal of product lines at Peugeot Citroën, will be placed just above the AX in the Citroën range. John Ridding

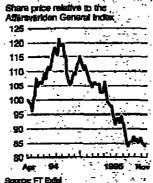
## Stratton takes full control of Sepap board

Czech Republic and Christopher Brown-Humes in Stockholm

Stratton, the US investment company, yesterday inflicted a heavy defeat on AssiDomän, the Swedish forest products group, when it secured control of the entire management board of Sepap, the Czech paper producer at the centre of the Czech Republic's first big corporate takeover battle.

Sepap's seven-member management board was replaced at an extraordinary general meet-ing by five representatives of Harvard, the fund management company run by the Czech entrepreneur Mr Viktor Kozeny, acting with Stratton.
Attempts by AssiDoman,

which owns 32 per cent of Sepap, to block the move and gain board representation were defeated. The Swedish com-



pany bought into Sepap during the summer to gain a foothold in eastern Europe. It had hoped to gain majority ownership by the end of the year. That strategy was interrunted last month when Stratton said it had acquired control Defeated AssiDomän forecasts downturn in 1996 capacity utilisation will fall from now on," he AssiDomān, the Swedish forestry group, yesterday added to the gloom in the pulp and paper sector by predicting lower use of capacity

and a fall in prices next year, writes Christopher Brown-Humes in Stockholm. The forecast came as the group revealed slightly lower-than-expected nine-month profits

of SKr3.41bn (\$519m), up 165 per cent from SEr1.28bn a year ago.
Mr Lemart Ahlgren, chief executive, said the latest attempt to lift softwood pulp prices to \$1,000 a tonne had failed, and the price going into 1996 was likely to be about \$900 a tonne.

"We are heading toward a downturn and vard. The US investor does not yet own a stake in Sepap but has an option to buy a block of shares from Harvard and is the architect of the Czech group's

change of direction. AssiDomān executives said after the meeting, held at

that it would remain as a shareholder despite the foiling of its plans.

"We are not thinking about selling," said Mr Ragnar Quarnstrom, managing director of AssiDoman's kraft prodncts division. In Sweden, the

said. But he suggested prices would not fall dramatically and said that while prices for pulp and kraftliner would weaken, the market for cartonboard, sack and kraft papers remained strong. Assi's shares fell SKr2 to SKr149.5. The improved nine-month figures reflected big price increases, higher deliveries and pro-

ductivity gains. But the strong upward trend in the first half showed signs of easing in the third quarter, reflecting seasonal factors and slightly weaker markets. The group predicted better fourth-quarter figures, putting it on course for a full-year profit of about SKr4.5bn.

group insisted it still intended to expand in eastern Europe. Among those who lost their board seats was Mr Tomáš Sabatka, Sepap's chief execu-tive. Stration stressed that Mr Sabatka, who has overseen a substantial restructuring of the group, would stay in his post.

## Merger vote seals Rolo Banca deal

By Andrew H社 in Milan

Shareholders in Credito Romagnolo, the Bologna bank vesterday set the seal on one of Italy's biggest banking deals when they voted to merge with Carimonte Banca, a neighbour-

The new bank - called Rolo Banca 1473 - is the fruit of last winter's successful L3,770bn (\$2,36bn) bid for Credito Romagnolo, led by Credito Italiano (Credit), the former stateowned bank. Credit beat off a rival bid with the backing of Carimonte Holding. Carimonte Banca's parent, and Ras, the Italian insurer controlled by Allianz of Germany.

Rolo Banca becomes one of Italy's largest banking groups, with nearly 550 branches and a particularly strong presence in Emilia Romagna, one of the most prosperous regions. The merger means that Credit which has 710 branches in its own right - rivals Banca di Roma as the group with the largest network in Italy.

Credit is the largest shareholder in the new merged group, with 42 per cent held directly and indirectly. But it has granted Carimonte Holding an option to buy out its shares, should Credit be taken over, and a big say in day-to-day management at Rolo Banca.

The special clause could pre-vent hostile bidders for Credit gaining control of Rolo Banca and has been interpreted by some critics as a "poison pill". But Mr Lucio Rondelli, Credit's chairman, pointed out yesterday that under those circumstances, Carimonte Holding would have to pay more than L3,000bn cash for Credit's stake in Rolo Banca. Carimonte Holding sought strong management control and guarantees against a possible change in ownership at Credit, in return for giving up full control over Carimonte

Credit has an option to buy its partner's shares, should the two charitable foundations that own Carimonte Holding lose control.

Credit and Carimonte Hold-

## German groups join European online service

By Judy Dempsey in Berlin and Michael Lindemann

Deutsche Telekom, Germany's state-owned telecommunications network, and Axel Springer, the German media and publishing group, are to buy stakes in America Online/ Bertelsmann, which plans to launch a European online America Online (AOL), the

fastest growing online service in the US, and Bertelsmann, Germany's largest publishing

Wella, the German hair-care

and cosmetics group, remains pessimistic about its immedi-

ate financial prospects, according to the nine-month earnings

The company said pre-tax profits had fallen 22.1 per cent

to DM88m (\$62.3m) in the year

to end-September. The down-

turn in profits was widely

expected by the stock market,

following a warning last month

in which Wella acknowledged

difficulties in several foreign

report released yesterday.

and entertainments group, formed a joint venture last March to launch its online services in Germany later this

The move highlights the continuing jostling for position among the main online services and electronic publishers in Europe and the US as interest in commercial online services and the Internet grows. It follows a decision last month by Mr Jürgen Richter, chairman of Springer, to pull out of Europe Online, a rival

unusually blunt and highly self-critical, followed the resig-nation in September of Mr

Peter Zühlsdorff as chairman. Wella insisted yesterday that

the resignation was not related to the downturn in profits.

The company's shares con-

tinued their descent, yester-

day, falling by DM8 to DM720,

which compares with a level of

It is believed that Mr Zühls-

dorff resigned after a clash

with Wella's family sharehold-

ers, who resisted the former

chairman's ambitious expan-

The warning, which was ties in China, Russla, the UK, ing spending.

DM1,150 in mid-September.

vice founded by Burda, the German publishers.

Deutsche Telekom's decision.

to join AOL/Bertelsmann by acquiring a substantial stake, is part of its long-term strategy to compete with Microsoft, the US packaged software group, and Compuserve, the US online service moneer, which are both targeting the European

Under the agreement, Deutsche Telekom will gain access to AOL's online services in the US by acquiring a separate stake. This will enable it to

Share price relative to the DAX index

and the US. In Germany, turn-

over in the retail business rose

10 per cent. The hair-care salon

market remained weak throughout the year, but Wella

said it was able to increase

In the UK, Wella has been

facing fierce competition from

market share.

hold and access to AOL's 3m Neither Bertelsmann nor

Deutsche Telekom would reveal the size of the stakes or how much they would pay for them. However, it is understood the stake in AOL's US operations would be about 5 per cent and in AOL/Bertels-

mann about 20 per cent.
"Deutsche Telekom knows it
has to act fast now," Bertelsmann said. It added that the cartel office, the country's competition watchdog, had

1992 93 94 95

the US cosmetics industry has forced Wella to reorganise its distributor network, which led.

to a fall in revenues. The com-

pany's US business generates

Group turnover in the nine-

month period increased 5.4 per

sales of about \$100m a year.

stakes held by Springer and Deutsche Teleko Springer, publishers of the mass circulation Bild

was likely to approve it

newspaper and Die Welt daily, will take a stake in AOL/ Bertelsmann and Deutsche Telekom's own online service, T-Online. In a complicated cross-hold-

ing structure, T-Online will also take a stake in AOL/ Microsoft Network, Page 19

kets. "We expect, therefore, an

improvement in turnover of

only between 5 per cent and 6

per cent for the whole year.

Profits before taxes for the

year 1995 will probably fall by

more than they did during the

first three quarters," it said.

However, the comp

150

"100°.

The concentration process in signs of a recovery in its mar-

Wella said there were no profits from next year.

Banca, one of the regions most aggressive small banks.

ing will control the Rolo Banca with a 68 per cent stake. Some 44 per cent is held through a joint holding company, 19.54 ar cent directly by Credit, and 4 per cent by one of the two charitable foundations. Ras Wella's problems stem ble, resulting in a downturn in acquisitions, turnover fell 2 per remained optimistic it would the rest of the shares are largely from its business activities, despite higher advertiscent.

## KNP denies plans | DSM to buy 70% stake in OMV unit to divest further

Wella pessimistic

after earnings fall

22% for the year

By Ronald van de Krol in Amsterdam

KNP BT, the Dutch paper and packaging group, said yester-day it had no plans to carry out further divestments in packaging in order to bolster the division's flagging profit-Speculation in Amsterdam

about possible divestments has been rife after the resignation of two top packaging execu-tives at the group in the past few days. On Monday evening, Mr

Frans Spits, member of the board of KNP BT Packaging, said he would resign on December 1. News of his departure came soon after the announcement on Friday that his boss, Mr Bert Paalman, had resigned from the group's six-member executive board. KNP BT would say only that

the top-level resignations were caused by differences of opinion about short-term policy on packaging, after the release of disappointing third-quarter figures on November 8.

Operating results in packag-ing were halved, holding back profit growth for the group as a whole. KNP BT's shares yesterday closed at a 12-month low of F1 40.40, down F1 1.60 from Monday.

Analysts said the fall was linked to the uncertainty as

might be linked partly to the decision, announced in August. to sell the group's six flexiblepackaging units in Germany, the US and Egypt.

"People in the packaging division felt very attached to flexible packaging, and it blood," said one analyst. This theory was also advanced by other paper analysts in

msterdam. However, Mr Pieter Barbas. secretary to KNP BT's executive board, said the flexible packaging divestment "did not play a role in the departure of the two gentlemen". He also emphasised that, although unspecified measures were necessary in packaging, no divestments were being planned.

Earlier this year, KNP BT said it planned to concentrate packaging efforts on graphic board, one-way transport pack-aging such as solid board and

protective packaging.

Analysts noted that KNP BT. in a press conference called after the third-quarter results, had expressed particular disap-pointment with the results in solid board, typically used in shipping agricultural produce to market.

"Solid board underwent drastic restructuring after KNP BT was formed in 1993, and you can't help but think that well as Rexam's poor results another round of retrenchment this week in the UK. They is on its way," an analyst said.

## By Ronald van de Krol in Amsterdam

DSM, the Dutch chemicals group, said it was close to an agreement with OMV, the Austrian energy and chemicals group, on buying a 70 per cent stake in OMV's subsidiary Chemie Linz, a producer of intermediates for the pharmaceuticals and agrochemicals

Negotiations are expected to be completed before the end of the year, allowing the acquisi-tion to take effect early in 1996 after approval from Austrian regulators. DSM said it hoped to acquire full of Chemie Linz before the end of the decade. Chemie Linz, with turnover equivalent to Fl 320m (\$200m), will mark one of DSM's largest acquisitions in the 1990s. It will also be DSM's first big pur-chase of a fine chemicals operations since it bought Andeno, a specialty chemicals

company, from Océ-van der Grinten of the Netherlands in 1987. DSM said Chemie Linz was profitable in 1994. The proposed deal is part of DSM's strategy of pursuing strong growth in fine chemi-

cals to make it less vulnerable

to the bulk chemicals cycle.

the Swiss drugs company. Roche is building a plant at Chemie Linz's site in Linz for the production of a newly-developed anti-obesity agent. The Swiss company will own the plant but it will be operated by Chemie Linz. The transaction with DSM

One of Chemie Linz's attrac-tions for DSM is its involve-ment in a project with Roche,

will enable OMV to focus on the oil and gas sectors in central Europe, a joint statement

In late September, OMV said it was close to forming a plas-tics joint venture with Repsol

of Spain that would create Europe's third-largest petro-chemicals company. The additional turnover provided by Chemie Linz will

raise DSM's fine-chemicals turnover to more than Fi lbn, or about 11 per cent of the group total. DSM aims to lift this to 20 per cent by the end of the decade, both through acquisitions and organic growth.

In 1994, DSM entered into a 50:50 joint venture with Gistbrocades, the Dutch yeast and penicillin producer, to make intermediate substances for the production of anti-biotics.

## BAT to take stake in Polish plant

By Christopher Bobinski

BAT, the international tobacco group, has agreed to pay \$88m for an eventual 65 per cent share of the state-owned Augustow tobacco plant in north-west Poland in the first disposal in the government's controversial tobacco sector privatisation programme.

The sale comes before this

week's parliamentary vote of no confidence in Mr Wieslaw Kaczmarek, the privatisation minister, who is under attack from deputies in the Polish Peasant Party (PSL), the junior partner in the governing coali-

These critics - who were

until recently intent on blocking the sale of the tobacco sector - are now charging that the government has undermined national interests in its mass privatisation programme. This is due to get under way today when distribution begins of coupons entitling Poles to shares in more than 400 state-

The plants have been grouped in 15 investment funds which are to be run by mixed foreign and local management companies which Mr Kaczmarek's opponents say have been given too much power. The no confidence motion helps explain the speed with

which the Augustow deal was

control of 33 per cent of the plant's equity, with an option to buy the other 32 per cent for a nominal fee once the investment programme is complete. Local suppliers of tobacco to Augustow are to receive 15 per cent and the plant's employees the same. The government, advised by Deutsche Morgan Grenfell, still

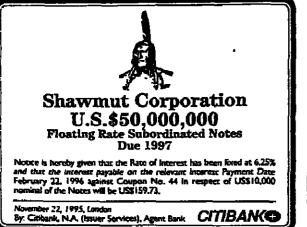
BAT, advised by Schroder Polska, has promised to invest \$7km in Augustow. It will take

has plants in Krakow, Radom, Poznan and Lodz. The Augustow sale sets a price marker for later disposals. Radom, which has close links with Tabacalera, the Spanish tobacco company, is the next factory expected to be purchased

the Lithuanian and Belagus borders, controls 6 per cent of the domestic market with its own brands. BAT, which makes its Lucky Strike and HB hrands at the plant, controls another 7 per cent. Reemstma of Germany is thought to have bid for the Poznan plant, which has a 25 per cent market share, and Philip Motris of the US is inter-

ested in purchasing the Krakow plant, which has a 30 per cent share. Philip Morris has made its

Marlboro brand under licence in Krakow since the 1970s. The value of these two offers, however, are thought to be below government expectations.



#### DIE ERSTE österreichische Spar-Casso Bank

Aktiengesellschaft First Austrian Bank

US\$ 50,000,000 Retractable Bonds due 2003 - Securities Identification No. 485 710 -Announcement to the Bondholders

The next incress period begins on December 15, 1985 and ends on <u>December 14 1988</u>. In the relevant interest rate for its angenet period will be the <u>2-year US-Treasury Bood</u> and the <u>US-Treasury Bood</u> and According to SS(c) of the Conditions of Isase the Bondholders are entitled to call in in repayment of the northrid amount of their bonds as of December 15, 1985. Notice to call in the bonds must be received by one of the paying agents issed below by December 5, 1985 at the labout.

Deutsche Bank Argengesetschaft, Frankfurt am Mant Bank Brussel Lambert N.V. Brussels DIE ERSTE üsterreichische Sper-Casse-Bank AG, Vienna. Banque Gehlergie du Luvembourg S.A., Luvembourg.

DIE ERSTE österreichische Sper-Casso-Bank Aktiengesellächeft

US\$100,000,000 PLOATING RATE DEPOSITARY RECEIPTS DUE 1997 Issued by The Law Debenture Trust Corporation pic evidencing entitlement to payment of principal and interest on deposits with BZT

Banca Nazionale del Lavoro (morporand as an Esisten di Gredio di Dirito Publiko se the Republic of Italy) London Branch

Notice is hereby given that the Rate of Interest for Coupon No. 42 has been fixed at 6.125% ps and that the interest payable on the relevant Interest Payment Date, February 22, 1996 in respect of US\$10,000 nominal of the Receipts will be US\$156.53 and in respect of US\$250,000 nominal of the Receipts will be US\$13.913.19. November 22, 1995 London By: Citibank, N.A., (Issuer Services), Agent Bank

CITIBANCO

Wells Fargo & Company US\$200,000,000

capital notes due 1998

Floating rate subordinated

The notes will bear interest at 6% per consum for the interest period 22 November 1995 to 22 February 1996. Interest payable on 22 February 1996 will amount to US\$153.33 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company

**JPMorgan** 

**ELECTRICITE DE FRANCE** 

U\$D 250,000,000 7 7/8 % Guaranteed Bonds due 2006

Pursuant to the Fiscal Agency Agreement dated 7 May 1986 and in accordance with the Deteription of the Bonds as set out in the Offering Circular dated 30 April 1986, notice is hereby given by the Issuer that Banque Nationale de Paris the issuer that Banque Nationale de Parks Succursale de Belgique shall cease to act as a Paying Agent in Belgium in the above Issue and that Banque Bnightles Lambert S.A., Avenue Marnith 24, B-1030 Bnissels (Belgium) has been appointed as its successor Paying Agent with immediate effect.

This 22 November 1995

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STATES OF STREET Street Committee " (\* in #2

## INTERNATIONAL COMPANIES AND FINANCE

## **Dell Computer earnings** up 82% in third quarter

Dell Computer, the US personal computer manufacturer, reported an 82 per cent jump in net income for its third fiscal quarter, ended October 29, out-performing Wall Street's expectations.

Net income for the quarter was \$75.4m, or 75 cents a share. on sales of \$1.42bn, compared with earnings of \$41.4m, or 47 cents, on sales of \$884.6m a year ago. Wall Street analysis had been predicting earnings of about 70 cents a share for the quarter.

The Texas-based company, which sells PCs by telephone and mail order, said sales to

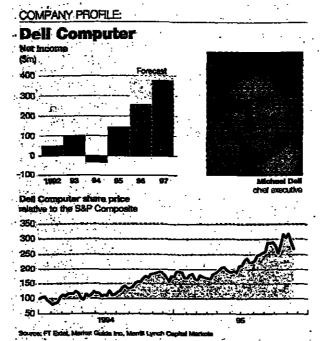
businesses and government times on some of our products agencies accounted for 90 per cent of revenues. Dell is now the only large US PC company not directly addressing the home computer market.

Sales were particularly strong in the US, said Mr Michael Dell, chairman and chief executive, reflecting seasonal growth in the government and education sectors, continued increases in corporate purchases and accelerating strength in sales to small and medium-sized businesses.

Component shortages continued to constrain Dell's ability ability to keep pace with increasing demand. "We realise that unprecedented demand has meant longer delivery than customers have come to expect." Mr Dell said. "Although component supply continues to be a challenge, we are working hard to resolve

Sales of Pentium processorbased systems rose to 82 per cent of total system sales in the quarter, from just 32 per cent in the same period last year, reflecting a rapid shift to the new Intel microprocessor For the year to date, sales

were \$3.8bn, compared with \$2.4bn in the first nine months Net income was \$202.2m, or \$1.98 a share, compared with



## Boston Beer scores victory for small investors

By Lisa Bransten in New York

Samuel Adams would be smiling. Boston Beer - which makes brews named after the revolutionary hero who led the Boston Tea Party revolt against tea taxes - scored a victory for small investors when it went public yesterday on the New York Stock Exchange.

In many of this year's most sought-after offerings, the early money has been made by big institutional investors, who

price, leaving small investors scrambling to get in later at a premium. Netscape Communications, for example, which was offered at \$28 a share in August, climbed to \$58% in first-day dealings and closed on Monday at \$116%.

Boston Beer turned the tables with a consumer offering through which beer drinkers could buy shares for \$15 each by responding to a coupon on their six-packs.

was priced late on Monday for big investors at \$20.

Both big and small investors were doing well as of midday

yesterday, when the shares

were trading at \$30.

Boston Beer, the largest US maker of "craft" beers, offered 30,000 consumers a chance to buy 33 shares each for \$495 beginning at the end of October. The 990,000 shares represented about a quarter of the

total 3.99m shares sold to the

Mr William Smith, an analyst at Renaissance Capital, an IPO research firm, said targetting the consumer was "a great idea because their best stockholders are their customers" who know and enjoy the

However, he said the shares were expensive compared with other makers of premium beers and gave it the firm's "moderate" ranking for longer-term

At \$30, the stock has a price/

annualised earnings. Redhook Ale Brewery, which went public in August but is not as well known nationally as Boston Beer's Samuel Adams brand. was trading for \$27, giving it a comparable p/e ratio of 69.

Since the company first filed the deal in August it reduced the number of shares in the institutional offering and switched from the Nasdag Stock Market to the NYSE. Because of legal restrictions

the company declined to com-

## New chief appointed in shake-up at Molson Breweries

By Robert Gibbens in Montreal

Canada's Molson Companies has replaced the president and chief executive of its brewing subsidiary, Molson Breweries, in a management shake-up designed to restore market share and

Breweries position immediately "to steer it through the next stage of growth in volume and market share". the company said. He takes over from Mr Bruce Pope, who will continue in "an advisory capacity".

Molson Breweries is 40 per cent

Mr John Barnett, the president of owned by Molson Companies, 40 per have grown but have not compensated.

Molson USA, takes over the top Molson cent by Foster's of Australia, and 20 per cent by Miller of the US. The parent companies would not elaborate on reasons for the shake-up, but Molson's share of the Canadian market has shrunk from 52 per cent in 1990 to about 47 per cent, and earnings have

stagnated. International operations

Rival Labatt, recently acquired by Interbrew of the Netherlands, has picked up most of the share lost by

Molson is restructuring its secondbiggest subsidiary, Diversey, the special chemicals producer, trying to turn the lossmaking US unit around. Analysts expect it to be sold eventually.

## Canadian institutions prepare to do battle

Banks and insurers are pressing demands ahead of 1997 shake-up, says Bernard Simon

for one of the last, and probably one of the fiercest, battles in the deregulation of domestic

financial services. With a barrage of speeches, submissions, advertising campaigns and behind-the-scenes lobbying, each side is seeking to press its demands and concerns in the run-up to a planned 1997 overhaul of legislation governing federallyregulated financial institutions. The finance ministry is due to spell out its initial views early next spring.

The stakes are especially high for the insurers, who are struggling to adapt to changes sweeping through their industry. The extensive networks of sales agents and brokers on whom insurers have traditionally depended are being challenged by cheaper and more accessible technology, ranging from tele-marketing to Web sites on the Internet.

At the same time, a rising proportion of the savings previously channelled into life assurance policies is slipping away to the growing mutual funds industry.

The banks pose a new threat. They are pressing Ottawa to remove barriers which have held back their assault on the insurance market. Reforms adopted in 1992

allow the banks to form insurance subsidiaries. But they are still barred from using their vast branch networks to sell most types of insurance, or from sharing data on bank customers with their fledgling insurance operations.

The insurers hope to persuade policymakers and the public that the banks are already too powerful. In a submission to the finance departof the assets of all deposit-

Over the past decade, the banks have also gobbled up Canada's biggest securities dealers and several ailing trust and loan companies, which specialise in mortgage lending. The CLHIA wrged that the 1997 review "should correct the legislative and regulatory privileges enjoyed by the banks".

taking institutions.

For instance, it has demanded access to the banks' navments system to enable insurance companies to offer cheques and automated teller machines. The CLHIA is also seeking deposit insurance reforms, such as the removal of government guarantees from bank savings instruments that compete against insurance Each side has encountered

unexpected obstacles as it has tried to move into the other's traditional territory. The two biggest life offices, Manulife Financial and Sun Life of Canada, have retreated from earlier forays into deposit-taking.

"It's hard for anyone to get into retail banking," says Mr Dennis Madden, a Toronto financial services consultant. Besides misjudging the strength of the big domestic banks, insurance companies had little banking experience and found themselves burdened with troubled commer-

cial property assets. Most of the big banks have set up insurance subsidiarles, and a few have made acquisitions. The most aggressive has been Canadian Imperial Bank of Commerce, which has invested more than C\$150m (US\$111m) and now employs more than 800 people in its

## anada's banks and Insurance Association noted Bank insurance entry strategies

CEBC ···· Tómonão Dom Scotia Smk Bank of Montre National Bank Camada Trust

and a basic term life product. It launched a motor vehicle policy early this year. The response was so overwhelming, with 15,000 calls in the first week, that the bank cancelled its advertising campaign. It has quadrupled its resources since January. CIBC expects gross premium income to reach C\$185m this year, putting it among Canada's top 15 property and casualty under-

The regulatory battle could be overtaken by developments in the marketplace. CIBC recently side-stepped the curbs on exchanging information by offering all its 6m banking customers C\$1,000 of free accidental death coverage. The 430,000 replies have provided a useful database for the insurance

Ms Helen Sinclair, president of the Canadian Bankers Association, predicts that curbs on data-sharing will become a non-issue as financial institu-tions increasingly use Worldwide Web sites and other direct electronic marketing

In an effort to reassure critics, the banks have promised to give a lifelong "opt-out" from cross-marketing to any customer who asks for it. The banks have also fought

recent was Manulife's purchase of North American Life, making it the biggest group and life carrier. Several US and European underwriters have with-drawn from Canada. Those that remain have

stepped up their search for new, low-cost distribution channels to complement their existing sales networks, and compete more effectively against the looming threat from the banks.

ever the outcome of the regula-

tory battle. Mergers and acqui-

of the day. Among the most

Nevertheless, Duff & Phelps, the Chicago-based rating agency, concluded in a report on the Canadian insurance industry earlier this year that "the remaining two-year window probibiting banks' use of branches and customer files for insurance and annuity sales may not be long enough for the life insurance industry to readjust. Some small and mid-sized life insurers may eventually become vulmerable".

## Microsoft claims 525,000 online customers

By Louise Kehoe

Microsoft has signed up more than 525,000 subscribers to the Microsoft Network (MSN), the online service that it launched in August together with Windows 95. the company

The rapid growth in MSN subscribers places Microsoft among the top ranks of online service providers and makes it one of the world's largest Internet access providers, since MSN users can link to

the Internet. Microsoft bas not, however achieved the instant dominance in the online market that some analysis had predicted

America Online, which had charged that Microsoft would gain an unfair advantage by including MSN access software in Wiodows 95, gained 700,000 subscribers over the three months ending in September. according to market research-

ers, bringing AOL's total to more than 4m subscribers. AOL's objections, together with those of other competitors, prompted the US Justice Department to launch an antitrust investigation of Microsoft's marketing plans for MSN. The government agency

has, however, taken no action. Only about 22 per cent of US households that have purchased Windows 95 have become subscribers to MSN. according to Odyssey, a San Francisco market research company. Microsoft said, however, that it still expected MSN to reach im subscribers by

Microsoft added that it was dropping plans to call a temporary halt to new MSN sub-scriptions at the 500,000 mark, because it was confident the system could handle continued

Separately, new data from two market research companies suggests that sales of Windows 95 have not lived up to expectations. Dataquest said it had reduced its 1995 forecast for Windows 95 shipments by 3.6m units to 26.4m

About 10m copies will remain in the distribution channel – on retailers' shelves and in PCs that have yet to be delivered to end users - at the end of the year, meaning there would be about 16.4m copies in use, the researchers said.

In a survey of US home computer users, Odyssey found that only about 6 per cent of US households with PCs have adopted the new operating system. "All the hoopla [surrounding Windows 95] hasn't convinced the majority of home PC owners that they need or want Windows 95," Mr Nick Donatiello, Odyssey pres-

ident, said. Rarlier versions of Windows remain the dominant PC operating system among home computer users, with 40 per cent market share, according to the Odyssey survey, while about 28 per cent are still using Dos, the Microsoft software which pre-dates Windows.

## **RJR** counters new move for Nabisco spin-off

in a flood of litigation.

Yesterday Mr LeBow's Brooke Group announced the

names of nine candidates to

replace RJR Nabisco's existing

directors. The list, which includes Mr LeBow, will be put

to shareholders at the compa-

ny's annual meeting next

Brooke Group has repeatedly

But RJR Nabisco says it

Mr Steven Goldstone, RJR

Nabisco's president, said that if the two financiers tried to

press ahead with an immediate

spin-off, they would run into

just the same obstacles as RJR

Nabisco, and realise it was not

would have control and be in a position to get hold of the com-

pany's assets," Mr Goldstone

RJR Nabisco's lawsuit

accuses Mr LeBow of devising

"a covert plan" to acquire a

controlling block of the compa-

ny's common stock without

paying any premium, by mak-

ing open market purchases

"directly and through others

acting with him. Mr LeBow

then would force a merger of

RJR's tobacco businesses with Liggett, to the benefit of Mr

LeBow and his partners," the

then, however, they

said that it would drop its proxy battle if RJR Nabisco

doubts Mr LeBow's and Mr

agreed to a spin-off.

Icabo's intentions.

By Richard Tomkins in New York

Corporate raiders Mr Bennett LeBow and Mr Carl Icahn, who together control a 4.8 per stake in RJR Nabisco, the US tobacco and food group, have stepped up pressure on the company to spin off its Nabisco food subsidiary by naming the directors they want to replace RJR Nab-

isco's board. In a counter move, RJR Nabisco has filed a suit against Mr LeBow and Mr Icahn, claiming that they have violated US securities law by secretly conspiring to form a group to acquire control of the compa-

ny's common stock. The suit contends that Mr LeBow's and Mr Icahn's hidden agenda is to gain control of RIR Nabisco's tobacco business and combine it with Liggett, a tobacco company controlled by Mr LeBow through his holding company, Brooke

Group. Mr LeBow is pressing RJR Nabisco to spin off its Nabisco food company to shareholders, saying the tobacco and food businesses would command a higher stock market valuation

Mr Icahn has pledged his support for Mr LeBow's efforts. RJR Nabisco has already spun off 19.5 per cent of Nabisco to shareholders, but says a spin-off of the remainder would be interpreted as an attempt to protect the company's assets from potential tobacco liabilities, resulting

There was no immediate response from Mr LeBow or Mr

lawsuit claims.

## Canadian Pacific plans restructuring

By Robert Gibbens

transport, energy, hotels and property group, is planning a corporate overhaul that will include moving the headquarters of its CP Rail unit from

six operating units: CP Rail, CP Ships, PanCanadian Petroleum, Fording Coal, Marathon Realty, and CP Hotels. The name Canadian Pacific will

Preference shareholders will swap their holdings into common shares, on the basis of one common share for every 4.263 preference shares held. Debt bolders will be fully protected

in the restructuring.

The final quarterly dividend

CP Rail will become a 100 per

Canadian Pacific, the big Montreal to Calgary.

remain unchanged.

CP will take fourth-quarter after-tax write-downs of C\$700m (TIS\$511m) on its rail assets and C\$275m on its prop-

for 1995 will be 12 cents a share, up from 8 cents previ-

cent-owned subsidiary with direct access to capital markets and freedom to pursue acquisition and marketing pacts on its own. But rationalisation and the move to Calgary will mean the loss of 1,450 jobs. The

losses will also be felt in the US, where CP Rail has significant rail holdings.

The staff reductions, coming mainly at the administrative level of CP Rail, would represent annual savings of about C\$100m, Mr William Stinson, Canadian Pacific president The shake-up will create a said, while the write-down annual depreciation on CP

Rail's results. Mr Stinson denied the move of CP Rail's executive offices to the west was related to last month's Quebec referendum. narrowly won by the federalist

"We do 80 per cent of our rail business in western Canada," he said. "That's where the railway should be based. We have to make the railway more effi-

cient and profitable." • A four-month strike at Repap Enterprise's big Skeena softwood pulp mill in northern British Columbia has been settled and operations will restart

immediately.
The mill has annual capacity of 450,000 tonnes and ships its output to the US and Asia.

Both Repap and the Pulp Paper & Woodworkers of Canada accepted mediation from a government-appointed conciliator. The new contract runs for six years but no details were immediately available.

#### insurance arm. CIBC now offers travel, mediment earlier this year, the cal, accidental death policies Canadian Life and Health Tracinda files proxy statement

the private Tracinda, investment company of Mr Kirk Kerkorian, filed a preliminary proxy statement with the Securities and Exchange Commission relating to Chrysler's 1996 annual shareholders' meeting, Reuter reports from

Washington. Tracinda said that it was not currently asking for proxies but had filed the materials to ensure that it would be free to engage in discussions with Chrysler shareholders while the board conducted its 90-day corporate governance

Mr Kerkorian said on Monday that his investment firm would take steps to begin soliciting shareholder votes at the automaker's annual meeting.

The materials propose electing Mr Jerome York, Tracinda's vice chairman and a former Chrysler chief financial officer, to the car manufacturer's board, and opposing the election of Mr Joseph Antonini the former Kmart Corp chief executive. They also propose adopting a

non-binding resolution to increase the size of Chrysler's board by two directors. The proposals in the proxy statement echo proposals made by Mr York in a letter to

Chrysler in October. in the SEC filing, Tracinda proposes setting up a "share. holder value committee" to review the carmaker's finan-cial policies and designating an investment banking firm to do

a financial analysis. It also proposes that Chrys-

ler adopt an anti-greenmail rule, raise the threshold under its poison pill rights plan to 20 per cent from 15 per cent, and require shareholder approval for issuing Chrysler's "blank check" preferred stock and block placements of common Mr Kerkorian and Tracinda

about 13.6 per cent of the total outstanding. Together with former Chrysler chairman Mr Lee Iacocca, Mr Kerkorian controls 14.1 per cent of the carmaker. Tracinda said that it had hired D.F. King & Co Inc for solicitation and advisory

own 51.9m Chrysler shares, or



back with figures of their own

to show that fears of their

power are exaggerated. According to the banks, the financial

services sector is less concen-

trated than Canada's airline,

oil and automotive industries.

Furthermore, Canada's five

biggest property and casualty

insurers are all subsidiaries of

large multinational insurers.

whose home countries have

opened the retail insurance

The overcrowded insurance

industry faces a period of

wrenching adjustment, what-

market to banks.



owner of major Swedish industrial companies that operate internotionally, its largest assets are the holding in the pharmaceutical company Astra and wholly owned Scania and Saab, It also controls large interests in Incentive (with ASEA/ABB), STORA, Ericsson, Atlas Copco and SKF.

## **NINE MONTH INTERIM REPORT 1995**

Investor's net worth on September 30 amounted to SEK 52,769 m.\* (Dec. 31, 1994: SEK 43,493 m.), or SEK 265 (218) per share. On November 16, its net worth was SEK 50,154 m., or SEK 252

The Investor Group's consolidated income after financial items

amounted to SEK 3,339 m. (2,375). Scania's sales rose by 35% to SEK 25,442 m. (18,791). Income after

financial items was SEK 3,512 m. (2,379). Saab's sales rose by 42% to SEK 4,869 m. (3,422). Income after financial items amounted to SEK 223 m. (165).

The complete interim report can be ordered from Investor's offices. The interim report is also published on Internet (http://www.investor.se).

\* SEK 1.00 = US\$ 0.1436 as of September 30

## INVESTOR AB

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## **Ssangyong Motor** to increase output

Ssangyong Motor, Korea's fourth largest automotive company, plans to quadruple its production capacity to more than 600,000 vehicles by 2000 with its second plant at Taegu, South Korea. The planned \$2.60n facility will produce \$50,000 vehicles, including 200,000 cars. It is also expanding production capacity at its factory at Pyungtaek, south of

Seoul, from 150,000 vehicles to 300,000 by 1997. The company plans to enter the car market in 1998 with luxury models developed with the technical assistance of Germany's Mercedes-Benz, which has a 5 per cent stake in the group. It might also develop a subcompact car. Ssangyong currently makes four-wheel drive vehicles, including the Musso, and buses and trucks. It recently introduced a new range of minibuses, the Istana, with a third of its output to be sold under the Mercedes-Benz badge, mainly in the Asian

However, analysts have expressed caution about Ssangyong's entry into Korea's overcrowded car market, which is dominated by Hyundal, Kia and Daewoo. Competition will intensify further with the entry of Samsung in 1998. The capacity expansion has resulted in Ssangyong reporting losses for the past three years, including a deficit of Won79bn (\$102m), on sales of Won803bn in 1994, the sharpest fall among Korean motor companies. Losses for the first half of 1995 amounted to Won49bn, on sales of Won419bn.

Ssangyong is expected to suffer further losses because of forecast capital costs of Won3.600bn between 1995 and 1999. with the Taeju facility accounting for almost 60 per cent of that amount. Mr Kim Suk-joon, chairman, said vehicle operations were being expanded to reduce the dependence of the group, Korea's sixth largest, on its core businesses of oil

#### Indian truck maker surges

Tata Engineering & Locomotive (Telco), India's biggest truck maker, saw net profit jump to Rs2.3bn (\$66m) in the six months to end-September from Rs685.5m a year earlier. Sales climbed from Rs21.43bn to Rs33.87bn, up 58 per cent. Telco holds about 70 per cent of India's heavy commercial vehicles market and 55 per cent of the light commercial vehicles segment. Vehicle production in the period rose 44 per cent from 57,313 units to 82,428. Vehicle sales jumped from 53,391 units last year to 81,260.

Telco said last year's growth in demand continued into the current financial year, lifting sales and production figures to record levels in the latest half. It said it expected demand to continue into the second half but added that reduced liquidity in local markets might affect demand in the automotive

Telco has production agreements with Cummins Engine of the US to make engines, and with Germany's Daimler-Benz to make Mercedes cars in India. It made a \$100m issue of global depository receipts in July 1994.

#### Australian airport sale blocked

The Australian Senate, the federal parliament's upper house, has blocked the proposed privatisation of Sydney Kingsford-Smith, the city's main international and domestic airport, and the yet to be built Sydney West airport. This has prompted the government to claim the new airport will not be ready in time for the Sydney Olympics in 2000.

The government had said it wanted the first airport sales completed by late-1996. Several international bidders are thought to be interested, including the UK's BAA, although some have put their plans on hold because of the uncertainty surrounding the sell-off.

The Senate block was the result of an amendment to legislation designed to permit the sale of the 22 airports managed by the Federal Airports Corporation. The amendment specified that the Sydney airports should be excluded until the former east-west runway was reopened at ingsford-Smith and a noise problem resolved.

The airport recently moved to a system of parallel north-south runways, but the change to flight paths has prompted a public outcry. Mr Laurie Brereton, transport minister, claimed the move would delay construction of Sydney West by up to 12 months. "The delayed legislation will now have to be re-introduced into parliament following next Nikki Tait, Sudney year's [federal] election," he said.

#### APN buys advertising group

Australian Provincial Newspapers. Mr Tony O'Reilly's regional newspaper publishing group, announced yesterday it was buying Independent Communications Australia, an outdoor advertising business, for A\$54.7m (US\$40.7m). ICA takes in a mixture of outdoor and transit advertising. Its sales were A\$33.9m in the year ending December 1994, with earnings before interest, goodwill amortisation and tax of

APN said the deal fitted its strategy of developing and



#### BANK OF CEYLON

Acting Through its Foreign Currency Bonking Unit USD 12,000,000 Floating Rate Notes Due 1998

> Arranger and Lead Manager London Forfaiting Asia Limited

Co-Lead Manager Merrill Lynch Hong Kong Securities Limited

The Arab Investment Company S.A.A. (TAIC) Bank Austria Aktiengesellschaft, Hong Kong Branch Dresdner (South East Asia) Limited Korea Merchant Banking Corporation

Advisors to the Issuer Mitsubishi Finance International plc Global Emerging Markets Ltd

> Fiscal & Paying Agent London Forfaiting Asia Limited

October 1995



£175,000,000

Finating Rate Notes due 1996 in accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three mouth period ending 19th February, 1996 has been faced at 6.37.5% per amoun. The interest account for such three month period will be \$15.699 per \$1,000 Bearer soct, and \$17.500.99 per \$1,000.000 Bearer Note, on 19th February, 1996 against Presentation of Compan No. 15. Cnion Bank of Switzerland London Branch Agent Bank

General Motors Corporation NOTICE IS HEREBY GIVEN that resulting from the corporation's declaration of a dividend of \$0.20 (gross) per share of the common meta of the common meta of the control position in the 9th December 1995 there will become the 18 tempera of the heater depositary receipts a gross distribution of 1,7th cent per min. The depositary will give further notice of the sering expandent of the not darkbutton of the position of the property of the sering expandent of the first heater and the sering expandent of the first heater 1995 All claums must be accompanied by a completed claum form and USA tax declaration obtainable from the depositary. Chamants other than UK banks and members of the Stock Exchange must hodge their bearer of the Stock Exchange must hodge their bearer General Motors Corporation Clamate other than UK banks and members of the Stock Eachange must lodge their barrer depository receipts for marking. Postal claims entance be accepted. The corporation's 3rd quarter 1995 report will be available upon application to the depository named below.

BUSS LONDON COUNTER SERVICES IN SERVICES IN

# 30% and depository

By Mark Nicholson

The Industrial Development Bank of India, the country's biggest state financial institution, yesterday reported a 30.1 per cent rise in pre-tax profit, inclusive of capital gains, to Rs6.53bn (\$187m) for the first half to September 30. Mr S.H. Khan, IDBI's chair-

man and managing director, said it intended to set up a share depository in conjunction with Unit Trust of India, the country's biggest institutional investor, and the National Stock Exchange. The latter is the Bombay-based fully automated stock exchange, set up in competi-tion to the Bombay Stock

Exchange in 1994. IDBI is the second leading Indian institution to announce plans for a depository, which would eventually replace the stock markets' physical share trading with a paperless, automated book-entry system.
The indirectly state-owned

Stock Holding Corporation of India has already advanced its own plans for a depository. Mr Khan said IDBI's earnings for the first half, excluding capital gains on sales of investments, grew 22.8 per cent over the same period last year to Rs23.57bn, while total expenditure rose 13.9 per cent to Rs17.27bn.

He said, however, that the persistent weakness of Indian equity markets had cut capital gains substantially in the half. Realised capital gains were Rs230m, down 76.5 per cent on the Rs980m for April-September the previous year.

The bank, India's leading state provider of term lending and other financial assistance to industry, said it sanctioned Rs113.9bn in fresh assistance over the first half, an increase of 28.5 per cent over the same period last year, while disbursements rose 20.4 per cent to Rs50.79bn.

The bank said it was confident of exceeding target dis-bursements for the current fiscal year of Rs100bn, as projected in the offer document for the bank's July share offering - which was both IDBI's first public offer and The Indian government had

also approved a \$300m line of redit to IDBI from the Exim Bank of Japan to finance infrastructure projects.

#### **ITC** boosts profit and market share

By Mark Nicholson

ITC, India's biggest tobacco group, in which BAT Industries of the UK holds a 31.6 per cent stake, has recorded an unaudited 22 per cent rise in first-half net profits from Rs1.16bn to Rs1.41bn (\$40.5m). It also said it had expanded its share of India's growing ciga-

In the six months to end-September, turnover rose 7.8 per cent, from Rs23.2bn to

Cigarette tax, up from Rs10.9bp at Rs13.1bp, and a Rs1.5bn fall in export earnings to Rs2.65bn burt earnings but the effect was offset by lower costs and interest charges. ITC said exports had suffered from "re-evaluation. restructuring and consolida-

tion" of its international businesses, after it withdrew from trading in "a number of agri-products with low turnover and margins". The group said it had com-

pleted a restructuring of international and agribusiness divi-sions and that "profits have increased and the bottom line

is healthy". ITC said substantial manufacturing investment, factory modernisation and improved marketing, advertising and distribution had helped give ITC cigarettes 63 per cent of the Indian market, from 60 per cent a year earlier. The market had grown 14 per cent, the

company said. ITC said its hotels business had also registered "strong growth", with turnover at its flagship Maurya Sheraton Hotel in New Delhi set to double from last year's Rs500m. ITC was until recently dogged by a bitter dispute between BAT and Mr K.L. Chugh, who resigned as ITC's chairman in September. The UK group earlier said it had lost faith in Mr Chugh's chairmanship, although Mr

Chugh's resignation was publicly amicable. The company's nomination committee met this week for the first time to discuss Mr Chugh's succession but failed to reach agreement. The committee is expected to meet

## IDBI ahead Break-up plan plans share remains option at Coles Myer

By Nikid Tait in Sydney

Coles Myer, the large Australian retailer which has been the focus of an institutional battle over corporate governance standards, said yesterday it was actively pursuing a break-up proposal. This would see the company

divided into several listed companies, each with separate managements and boards.
Mr Nobby Clark, the company's new chairman, told the annual meeting yesterday that a study had been commissioned in recent weeks, and that "a review of the restruct-

uring option remains firmly on the board's agenda". However, he added that the review would take some time, and the option remained "a proposal" at present.

Share price relative to the

director related-party transactions" was a priority for the new board. He revealed that Allen Allen and Helmsley, a law firm, had been called in to review all related party transactions, and that Aliens, together with Coles Myer

accountants Coopers & Lybrand, had also looked at Coles' corporate governance procedures. However, he gave few details about the Australian Securities Commission inquiry into the 'Yannon" transaction, which cost the company about A\$18m (US\$13.4m) and indirectly benefited interests related to Mr Lew by a similar amount.

The break-up plan was first put forward by Mr Solomon

Lew, a Coles director and its

former chairman, when he was

battling with institutional investors over the extent to

which the corporate gover-

nance issue made boardroom

they were not adverse to the

break-up plan, but felt it should be pursued under the aegis of a reconstituted board

- an objective they succeeded

in realising.
At yesterday's five-hour

meeting, Mr Clark stressed

that "examination of board

committee structures and

Some institutions indicated

changes necessary.

The results of that inquiry will almost certainly determine whether or not we are able to pursue any value lost by Coles as party of the transaction," he

At the end of the meeting -



Nobby Clark: 'examination of board committee structures' a priority

which proved less eventful than some commentators had predicted - Mr Clark con-firmed the slate of directors agreed between the company and institutions last month had been elected by shareholders, and that the two independent candidates had failed to secure board seats.

 In the Melbourne courts, Coles' lawyers yesterday failed

to have parts of a wrongful dismissal claim by Mr Phillip Bowman, its former finance director who moved to Coles from the UK's Bass group,

However, they were given leave to appeal.

Mr Bowman claims his employment contract entitles him to a A\$2.16m payout from

Coles, and maintains he was

dismissed because of his investigation into the Yannon trans

Coles, however, has alleged "wilful misconduct". It was the revelations arising from the legal action between Mr Bowman and Coles which was the catalyst for the institutions' corporate governance push at

## Lippo fights to keep its glamorous image

Indonesian banking and property group faces struggle to maintain investor confidence

Property and banking do not always sit together comfortably in southeast Asia's markets, as Lippo Group, one of Indonesia's largest and most prominent con-glomerates, is finding out.

Shares in Bank Lippo and Lippoland, two of the group's flagship companies, have fallen about 25 per cent each in the past week, and there has been a run on deposits at a Bank Lippo branch as anxiety grows about the group's property

velonments outside Jakarta. Mr Roy Tirtadji, managing director at Lippo Group, says there are no liquidity or solvency problems at any of Lippo's units. But with several executives having left in recent months, the group is facing an uphill struggle in retaining investor confidence.

Analysts say the market fears that Lippo could turn out to be vet another Asian glamour stock which has overstretched. Worse, they worry that it may have fallen into the classic Indonesian conglomerate trap of using its own bank to fund speculative property

However, Mr Tirtadji claims residential and commercial space at Lippo Karawaci and Lippo Cikarang, two ambitious satellite town developments outside Jakarta, is selling well. The towns have been widely touted as showcase develop-ments for Indonesia's new mid-

These developments were consolidated into Lippoland's balance sheet for the first time when it reported fiscal 1995 unaudited earnings at the end of October. As a result, Lippoland's net gearing jumped to 140 per cent from 14 per cent a year earlier. That sent alarm bells ringing throughout the financial community. Mr Tirtadji says Bank Lip-

po's loans to Lippoland

account for about 3 per cent, or

roughly Rp180bn (\$78m), of the bank's loan portfolio, a much larger figure than analysts had Analysts say Bank Lippo turned some of these loans into securities which were then sold to its customers. In effect, that took a portion of the loans off its balance sheet, but it is unclear who would be respon-

sible if Lippoland failed to repay the debt.

More than 100 of Lippo Bank's customers have bought the securitised loans, analysts say. Lippo Group declined to comment on what by international standards counts as

unorthodox behaviour. Mr Tirtadji denies allegations that the bank has been lending to contractors building the satellite towns, adding to its exposure to the property development. "They may have their banks but for sure it's not Lippo," he says. He adds that Lippo Group, unlike many other Indonesian property developers, is not in the contracting business.

Mr Tirtadji insists sales at Lippoland are proceeding smoothly and that money obtained from pre-selling houses, apartments and commercial space is used to finance a large part of the development at its two satellite towns. Lippoland's net income

Jakarta jitters Share prices relative to the Jakerta SE Composite

for fiscal 1995 was Rp31.25bn on revenues of Ru217bn. Mr Tirtadji says Lippoland's debt-to-equity ratio of one-to-one is evidence that the company is not overstretched. "I would say it's very healthy." he says. But to arrive at that ratio, Mr Tirtadji used a very narrow definition of debt. Using conventional yardsticks, analysts say Lippoland's bal-ance sheet shows debts amounting to Rp981bn, and therefore net debt-to-equity ratio of about 140 per cent.

ccording to the compa-A short-term loans total more than Rp600bn, far more than the company's liquid assets at a time when the outlook for the property market is sluggish. As a result, Lippoland's ability to repay its loans on time without running into serious cash flow problems has

"Lippoland has one of the

highest net gearing levels and is marketing relatively expensive products in difficult market conditions," Mr Robert Adair, an analyst at GK Goh Ometraco · Securities in Jakarta, wrote in a recent Other analysts note that sales at Lippoland's other resi-

dential developments, which include two resorts, have weakened over the past year because of high interest rates. Matters were compounded by media reports that Bank Lippo had failed to clear its account with the central bank because it was overstretched with loans to Lippo Group's property

Mr Tirtadji says that all the bank did was book a clearing loss, which occurs when cash drawn from a bank exceeds the amount deposited. "It's a normal day-to-day happening." Mr Tirtadji says.

"If you ask me did Bank Lippo fail to clear, no, we never fail to clear because that mestion means we have a negative balance with the central bank. Our bank has never, I emphasise never, had an overdraft balance with the central bank." he adds.

Equity, he says, continues to be an important source of fig-ancing for Lippoland's develop ments, and the group would like to float shares in Lippo Karawaci as early as the first ouarter of next vear.

Hong Kong-based China Resources and Hutchinson Whampoa recently bought about US\$26m of Lippo Karawaci's convertible bonds which can be converted into Lippo Karawaci shares eight months after the IPO, giving them a 10 per cent option in the development. But negative sentiment about the property market will make a listing difficult.

in the meantime, confidence in Bank Lippo's operations is also at a low. Asked about allegations that a number of banks are standing by to bail out Bank Lippo, Mr Tirtadji says there is a gentlemen's agreement among the association of private national banks in Indonesia to help each other with liquidity problems. "[Lippo Group's] policy has

always been to ensure that our liquidity is under very good control so that if some rumours like this happen, we can still sleep well," he says. His challenge lies in convincing a suspicious market that this is the case.

Manuela Saragosa

## Strong cellular phone demand Israeli hotel chain helps Kyocera sales climb 8%

By Michiyo Nakamoto

Buoyant demand for cellular phones and electronic components supported an 8 per cent increase in consolidated sales at Kyocera, the leading maker of ceramic packages and electronic parts.

Kyocera, which makes a products ranging from ceramic packages for microprocessors to karaoke equipment and artificial bones, enjoyed a 27 per cent rise in operating profits in the first six months of the fiscal year from Y21.1bn to Y26.8bn (\$265m).

Sales climbed from Y211.2bn to Y228.9bn. However, pre-tax profits fell 24 per cent to Y33.1bn from Y43.5bn last year, when profits

were boosted by gains from the listing of DDL the telecommunications company in which Kyocera owns a 22 per cent stake, and the share offering in two companies in which it is a leading shareholder. Net profits were also down by 19 per cent from Y23bn to Y18.5bn. Kyocera benefited from the surge in world semiconductor

Share price relative to the Nikkei 225 Average

Source: FT Extel

ing demand for its components for semiconductor manufacturing equipment. As a result, sales in the fine ceramics division rose 12 per cent. Electronic components sales

1995

increased 2 per cent on the back of strong sales to the PC and mobile phone markets. The company was also lifted by firm demand in the domes-tic market for cellular phones. which have seen a surge in use since the market was liberal-

In addition, the popularity of its karaoke equipment combined to lift sales in the electronics equipment division by 9 per cent. Kyocera believes the market

for communications equipment will continue to provide growth, which will be sup-ported by a recovery in the European and Japanese PC As a result, the company is

forecasting a 14 per cent rise in parent sales to Y344bn in the full year, a 43 per cent increase in recurring profits to Y50bn and a 21 per cent rise in net profits to Y26.8bn. Japan's Airport Facilities.

which manages and leases air-port facilities at Narita Airport, expects to net Y5.75bn from its offering of 6.30m new shares ahead of a listing on the Tokyo Stock Exchange second section on December 21. The company plans to use Y559m for capital expenditure

and Y1.19bn to back pay long-term loans. It will put the remaining Y4bn in a bank for future capital needs.

The offering will increase the company's total outstanding

## in Shk50m offering By Mark Dennis

Isrotel, the UK-owned Israeli hotel chain, announced yesterday a Shk50m (\$10.5m) international public offering to be tendered by the first week of The flotation reflects a wave

of confidence in the Israeli tourist industry, which has been lifted by the Middle East peace process and the development of Rilat as the leading Red Sea resort. The shares will be listed only

on the Tel Aviv Stock Exchange, but the offering is expected to attract substantial foreign interest, according to underwriter Société Genérale Equitiés, which is marketing it to European and US investors. The 6m shares will be offered at a minimum price of Shk6.30

In addition, 9m options will be tendered simultaneously at Shk0.72 a share.

Isrotel, which is fully-owned by the Lewis Trust Group, a private company with hotel and retail interests in the UK, Spain and Israel, is starting to realise profits after refurbishHotel, its initial investment, and building its flagship Royal Beach Hotel last year. Profits for the first nine

months of 1995 were Shk4.9m, compared with a loss of Shk2.3m a year earlier.

Total sales increased 46.2 per cent from Shki21.4m to Shk177.5m. The offering takes advantage

of the growth in Eilat, where Isrotel commands a 25 per cent share of the hotel market. Six of the company's seven hotels are concentrated in the centre of the city. Four more hotels are

planned. The city hopes to raise the number of rooms from 5,300 to 9,500 by 2000. Only a year after the signing

of the Israel-Jordan peace treaty, package tours incorporating destinations in southern Jordan and Egypt's Sinai peninsula have increased. Direct arrivals to Ellat totalled 165,000 for the 1994-95

season and are expected to

The Israeli tourist industry is enjoying a pronounced period of growth, with the gov-ernment forecasting 4m visitors by 2000, up from 2.17m last

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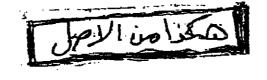
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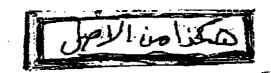
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increase to 190,000 in 1995-96.





Text of a letter by R W Rowland, the second largest Shareholder in Lonrho, being sent to all Lonrho Shareholders

# LONRHO-IMPALA PLATINUM MERGER DOES IT ADD UP?

20TH NOVEMBER 1995

The Board of Lonrho proposes a merger of its Dear Lonrho Shareholder, platinum assets with a competitor, the Impala platinum mines, which are owned by Gencor. Lonrho would receive shares in Implats, a subsidiary of Gencor. The Lonrho platinum mines in South Africa are the company's major asset, and for this reason your vital interests as an investor are concerned. As Lonrho shareholders, you have financed the platinum mines from their inception, and should

In broad terms, Lonrho's platinum mines are young and healthy, excellently managed and South reap the benefit. Africa's lowest cost producers. Impala is bigger, but is in more difficult ground and is less cost efficient. Impala is also an older mine and part of a group which has already mothballed two platinum mines. In the past few years Lonrho has received varied offers from Gencor to take over Lonrho's platinum

The Lonrho Board has now published the terms Division. It's hardly surprising. for an agreed merger. These terms are not good enough, when it is realised that as formulated they

• A price far less than that envisaged by stockbrokers and analysts in the past two years.

Loss of ultimate control of Lonrho's biggest asset.

- 8 Loss of Lonrho's central attraction for outside 1 Loss of direction at Lonrho, which promised to
- expand and support its core activities, specifically 3 Exclusion worldwide from any further platinum
- 6 Vulnerability to 'creeping control' by Gencor. In my opinion, further purchases of a major block of Lonrho shares would, combined with this merger, put Gencor in control of Lonrho without a full

In commenting on the terms, I rely on forty years of negotiating experience in the mining industry of Southern Africa as a mine owner, as a director of Rio Tinto companies, and at Lonrho where I remain the second largest shareholder. There can be no

objection to the right deal for Lontho. It is my firm belief that this is the wrong deal and should be voted down in the interest of Lonrho

Listed below are the material difficulties which need to be explained by the Board before the EGM on and its shareholders. 30th November, if shareholders are to reach an informed decision.

Yours sincerely R W Rowland

WHAT WILL THE REALIZED VALUE OF THE LONRHO
PLATINUM DIVISION ("LPD") BE FOR LONRHO AND ITS
SHAPEWOYDERS IN THE PLATINUM MERGER?

£402m

In the Milita

On page 3 of their circular the Board of Lonrho assigns a value of about £402 million for the 29,168,425 shares of Implats that Lonrho finally expects to receive for the Lonrho Platinum Division.

Lourho has shareholder loans of £46 million to LPD. According to the public Implats statement 'Lonrho will cede to Implats its claims on loan accounts against LPD amounting to R262.8 million.' (£46 million). Is this an amount the shareholders have to deduct from the stated value of £402 million? If yes, this is a large sum to forego and against what is

Lion giving up a claim

Did the Board in its calculations deduct the value of the R204 million claim by Lonrho against Implats/Impals over the Karee Mine deal? This claim is well founded and was strongly supported by the Board of Lonrho. Did the Board take the advice of an independent mining specialist and legal counsel before giving up a claim of £36 million as a concession to Implats in this merger?

On page 5 of the circular the Board says: 'Dividends have not been paid by LPD to Lonrho for several years, because of constraints imposed by the working capital and capital expenditure requirements of LPD.' Did the Board take into account that Lourho is replacing a cash flow (which can be regarded as a dividend payment) of between £6-10 million annually in interest payments on the shareholder loans to LPD, with an insecure cash flow from dividends?

Is it correct to say that prospective dividends from Implats would be subject to 25% taxation in South Africa, whereas the interest payments are tax free for Lonrhu and tax deductible to LPD in South Africa? Does Lonrho have a guarantee from Implats for about £10 million payment of dividends before taxes, or not?

Value capped by Put Option

Did the Board consider that the realized equity value is limited by the Put Option to R74 per share, compared to a stated value of R77.5-R80 per share in the initial merger. Would this lower the sale price for Lourho's Implats shareholding by between £18-£31 million?

Is it not correct that the claim of the Basokeng tribe, (see below) which would lead to the Put Option being exercised, is serious and therefore the execution of the Put Option is a real possibility?

Does the stated £402 million value to Lourho reflect the value coes the states 2204 minute value to Lourno repect the value established by Lourho's merchant bank Morgan Grenfell, which advised Lourho in this merger? If yes, why does Morgan Grenfell not support this merger by a full recommendation to Lourho's shareholders in Lourho's circular about the merger? The circular contains a long technical report on the present state of the

mines. Despite 'extensive due diligence' enquiries the circular does not contain anything from Morgan Grenfell.

Could Lourho's shareholders have sight of Morgan Grenfell's advice and recommendation, and be told the value it has established from Lourho's Plannum Division?

Is it correct to assume that the legal, rechnical and merchant banking costs are still to be deducted from the stated benefit to Lourho's

DOES THE BAFOKENG TRIBE'S CLAIM PERMANENTLY LIMIT THE ESTABLISHED VALUE TO R74 PER SHARE?

Did the Board consider the concern (page 44 of the circular) of the technical consultant over the claim of the Bafokeng tribe, which could lower the value of the Implats group by a significant amount? If yes, who is the senior counsel in Johannesburg who advised Lonrho ..... that the probability is that any such action will fail....? (page 84 of the circular)

Surely one line cannot accurately represent his entire opinion bearing in mind the likely legal, factual, and constitutional complexity of the claim.

Will Lourbo shareholders be able to see the written comment of the senior counsel or at least a précis of it, and if not, why not?

7% equity to the tribe

Is the Board of Lourbo aware that Implats offered the Bafokeng tribe the right to subscribe for 7% of the equity of the Impala Group during the years 1990-1994, as stated in the annual reports of Implats from

Did the Board of Lourho and merchant bank Morgan Grenfell consid this factor and how would the possible concession of these rights or any other financial claim by the tribe affect the value of Lombo's equity

As outlined in an article by South African Business Day, dated 14th November 1995, the claim of the Bafokeng tribe seems to have substance. Why does the Board of Lourho enter into a merger of its major asset where the probability of a claim against the merger partner, whether successful or not, is high and imminent?

Would Lorrho then only be able to realize a maximum net value of around \$330 million for it's Lonrho Platinum Division, whereas Lonrho's chief executive earlier this year helped analysts of the City to establish a value for Lonrho's 72.59% interest in LPD in the range of \$450-500 million? The maximum price of R74 per share as a result of an execution of the option would enable Gencor to take over LPD for a far lower price than they would have to pay as a direct offer.

Has the Board of Lourho approached the legal advisers of the Bafokeng tribe in order to assess the position of their claims, before entering into

Is it correct that the Bafokeng tribe claim, which affects most of the mining rights of Impala, is fully prepared and ready to be issued? Why is the Board not waiting for the outcome before merging the

WHAT ARE THE BENEFITS AND THE SYNERGIES OF

What the Board saw

The following is an extract from page 5 of the circular: ... believes that the mergers will provide the following benefits to Lonrho

 it will allow more rapid and extensive development of LPD's assets. The development of LPD's operations has been constrained for some time by high levels of borrowing; the Enlarged Implats will have low borrowing; - it will produce a number of operational improvements arising, in particular, from the sharing of mining and processing techniques. In the short term, bowever, mining synengies are likely to be balanced broadly by the costs of achieving them. In the medium and longer term, the Directors believe that there will be substantive benefits for Implats shareholders, including Lonrho.'

Is it correct (page 24) that 'with minimal capital expenditure, the platinum output of LPD can be increased rapidly to a level of some 600,000 oz from the 1995 achieved level of some 550,000 oz', and that the proposed increase in platinum production to 770,000 oz per annum by the year 2001 will be achieved with a planned capital expenditure of additional R163 million over the next years, which means an improvement of 220,000 oz per annum from the 1995 achieved level of

Is it equally correct that Implats would achieve an improvement of nearly the same size (240,000 oz/per annum) with a capital expenditure

program of R427 million, only over the next 3 years? Where is the capital expenditure benefit to LPD if Implats, expansion program for the same increase in production costs 2½ times more than that of LPD and the planned capital expenditure program of LPD could be financed by the cash flow at present without the need for further capital?

Based upon the annual reports from Implots, it is obvious that the production cost in R/kg of platinum group metals "pgm" from the smelter has risen from 19,000 in 1991 to 27,000 in 1995 (page 31), whereas the production cost at LPD has not risen from 1991 to 1995 and is at about 21,589 R/kg of pgm in 1995 (page 16).

LPD's production costs are 20% lower than those of Implats.

Operating costs 22% lower

The planned operating cost per oz at LPD for the year 2000 are projected to be 666 R per oz whereas at Implats they are projected to be 811 R per oz, which is a cost difference of 22% in favour of LPD. Since 1978 LPD has steadily increased output in each and every year, whereas Implats records volatile production levels with 1995 lower than most recent years. (page 31).

On page 12 of the circular the technical consultant says: 'Upon completion of the merger a team will be constituted to review the synergistic opportunities available to the merged quantity and to make proposals to the board regarding the means by which they can be realised.'

Can it be that the Board of Lourho has not assessed the potential synergies of merging 'the lowest cost primary underground producer' LPD with the high cost producer Implats before proposing the merger to Lourho shareholders?

The technical report states on page 23:

"Lourbo Platinum Division has substantial shallow reserves." In fixing the price for LPD, did the Board of Lonrho and the merchant bank Morgan Grenfell reflect the significant added value of these reserves, which can be extracted at the lowest cost in the industry? If yes, what is the value given to these reserves by Morgan Grenfell, the company's merchant bank?

Why does the Board not make the 1995 figures of LPD available to Lonrho shareholders in order to enable them to compare LPD's figures with those of Implats for 1995?

Did the Board consider a potential bid from the major platinum producer Anglo/Rustenburg and did Lourho's merchant bank Morgan Grenfell approach them in order to establish the highest possible value for Loarbo's 72.59% stake in the Loarbo Platinum Division? If not, why not? The technical consultant notes that LPD's expansion programmes are highly capital efficient. Lonrho is certainly not under financial pressure. Until eight months ago all Lonrho directors with relevant experience and the entire South African management were opposed to a Gencor merger. What rationale is there for giving up Lourho's best stand-alone asset for a price which, after all the deductions and risks are considered, appears to be no more than £300-£330 million?

SUFFICIENT INFORMATION

Why has the Board of Lonrho refused to give enquiring shareholders copies of the relevant published documents, thus depriving them of the opportunity to properly evaluate the effect of the transaction on the

How can shareholders evaluate the transaction if the only way that they can inspect the 2,000 or so A4 sheets of published documents is by poxing over them in the company solicitors' offices during the 8 working days that remain before the EGM?

What inconsistencies or drawbacks would be clear from these documents if shareholders' professional advisers had a proper opportunity to review

A proper and open evaluation before the EGM will help us all to get this vital

Response: If you share the concerns expressed in this advertisement contact Lonrho's company secretary and attend the EGM on 30th November.

ASK YOUR ADVISERS TO EVALUATE THE DEAL CAREFULLY AND ACT ON THEIR ADVICE

# Thorn EMI higher at £180m

Sir Colin Southgate, chairman of Thorn EMI, yesterday confirmed that plans to demerge the group's music and rental interests were on schedule and that he expects to announce formal demerger proposals

He also announced a healthy increase in pre-tax profits from the six months to September 30. Last year was held back by a £13.1m charge while this time included a £3.6m gain.

growth in the second half, fuelled by a strong release schedule from EMI Music, which launched the Beatles Anthology album in the UK

Thorn EMI's shares, which have risen strongly since the start of this year on speculathe possible sale of EMI Music, slipped 24p to £15.23.

Sir Colin said "all areas" of the group had performed well. Operating profits rose by 27 per cent to £194.3m with earnings per share 47 per cent higher at 25p (16.9p).

Japanese

expansion

re-selling private international

telecommunications lines in

Japan from next month, writes Michiyo Nakamoto.

The decision to enter the

market follows deregulation of

the sector by the Japanese

Ministry of Posts and Telecom-

munications in April. C&W will use its own pri-

vate lines and those of Inter-

national Digital Communica-

international telecommunica-

tions carrier in which it has a

The company plans to offer customers private interna-

tional lines at costs about

20 per cent lower than those

charged by Japan's main inter-

national carriers such as KDD. Initially it will connect cor-

porate customers in Japan

with points in the US but the

17 per cent stake.

planned



The Fab Four take a magical mystery tour through the Financial Times, in the days before they

cent increase in operating profits to £124 6m on sales up 29 per cent to £1.13bn. The reduction in operating margins was due to the full consolidation of Toshiba EMI in Japan, after EMI raised its stake to a major-

The music group benefited from healthy sales of Pink Floyd's Pulse album and Blur's The Great Escape in the UK. Its best sellers in the US included Garth Brooks' The Hits. The Thorn rental business fared well with a 36 per cent

increase in operating profits to in line with expectations.

per cent to £730.6m, from £670.7m that excluded £71.5m

from Rumbelows, since closed. The HMV retail chain, to which the group recently added Dillons bookshops, pro-duced a seasonal loss of £8.9m

## Cable and Wireless opts for a safe pair of hands

Cable and Wireless is to start

Mr Brian Smith has been called back to heal the rifts at Cable and Wireless less than four months after retiring as a non-executive director.

Mr Smith, 67, served as a non-executive for seven years, and is seen as ideal for the role of non-executive chairman. The people on the board had presumably nailed their colours to the mast on one side or the other," said one observer

"He had not – and he knows the business and the industry

He was chairman of C&W's audit committee and a member of the remuneration comitte. Although he had retired from C&W, Mr Smith already had plenty to keep him occu-

company plans to expand business to the UK, Canada and He is chairman of BAA, the airports group, Hydron, and the Heatherwood and Wexham Australia next year. However, C&W is looking Park Hospitals Trust. He is expects further deregulation Berisford, which owns the a traumatic time." to expand significantly the Magnet kitchens business, and a member of the Oxford dioce- City institutions, which were market for its services.



Brian Smith: knows the business and the industry well

Mr Des Wilson, corporate and public affairs director at BAA, described Mr Smith as an "extremely able and popular chairman". He added: "I can't imagine anyone better qualified to help a company through

Mr Smith is also liked by

cheered by news of his appointment. "He will be a good chair-man," said one big institu-tional investor in C&W.

Before joining the telecoms group, Mr Smith was chairman and chief executive of Metal Box, which he joined in 1985. He oversaw the transformation of the MB Group into two

For most of his career Mr Smith was with ICL He joined the chemicals group after leaving Manchester University, where he took a doctorate in physical chemistry.

By 1975 he was chairman of ICI's fibres division, where he started a big reorganisation. In 1978 he joined the main board, later spending two years in the US, where he became chairman of ICI America.

of the British Textile Confederation and chairman of the Economic Development Committee of the Wool Textile Industry. Mr Smith, who was made a the City of London and a Liveryman of the Worshipful Company of Glovers.

## Vodafone ahead despite loss of market share

By Christopher Price

Vodafone, the UK's biggest mobile phone operator, yester-day reported a 12 per cent increase in half-year pre-tax profits, underpinned by continued growth in subscribers despite the growing challenge from Mercury One-2-One and Orange.

However, the impact of the new rivals ate into Vodafone's market share which declined from over half of the 4.9m mobile phone market to 44.5 per cent. Cellnet has 42.4 per cent, while industry figures show Mercury with 6.9 per cent and Orange with 6 per cent. Vodafone shares fell 15p to

239p.
The competition forced Vodafone to focus attention on the residential market which continued the decline in the average revenue per sub-

Pre-tax profits at Vodafone rose from £186.4m to £208.1m (\$329m) on turnover 19 per cent higher at 5666.4m. The number of new UK subscribers in the six months to September 30 rose 372,000, an increase of 41 per cent on the same period last year, taking the total to

With a greater proportion of customers taking the competi-

tive LowCall tariff, the average revenue per subscriber is fore-cast to fall from £520 to £472 for the full year. Vodafone said that as well as recruiting more residential customers, there had been a loss in small busi-

affected the business mix. New business subscribers amounted to only 4,300, against 154,000 last year, which contributed to a fall in business's share in the subscriber base from 60 per cent to 50 per cent.

ness customers to Orange in some areas, both of which had

Churn, the rate at which customers switch off from the network, declined from 28.5 per cent to 24.9 per cent. Measures have been taken to tackle fraud, which is expected to cost the company £10m this year, and which is forecast to halve next year.

Operating losses in the

group's international business fell from £25m to £18m. All the overseas businesses are expec-ted to be profitable by 1996-97.

 Vodafone said yesterday that Globalstar, one of five con-sortia racing to launch the first satellite hand-held mobile telephone service, has been awarded a 160mHz waveband, a significant step forward in its Lex, Page 16

## **UB** sells most of US salty snacks assets

By Roderick Oram,

United Biscuits has sold most of the assets of its US salty snacks business, almost completing the disposal of its Keebler business and exit from the

A group of investors is paying \$8m for the brands, US distribution rights, an Indiana plant and 200 van sales routes. UB will close two other plants in Texas and Pennsylvania with the loss of 320

It hopes proceeds from site and equipment sales will more than cover closure costs. "This is a serious giveaway," said one analyst. The

of \$119m last December, but City hopes for its sale were modest because the business lost \$21m on sales of \$219m last year in ferocious competition with PepsiCo's dominant Frito-

Lay brand.
Coupled with the recent sales of Keebler's cookie and cracker business and frozen foods business, United Biscuits will raise almost \$600m in cash from the disposals. The pro-ceeds will cut debt and gearing which had risen to £636.3m and 93 per cent by July.

The Keebler assets were carried on the 1994 balance sheet at \$510m. In addition, \$67m.of goodwill was previously written off to reserves.

#### **Doubts over MAID's** planned Nasdaq listing

By Paul Taylor

MAID's plans for a US public offering and listing on the Nasdaq hung in the balance last night after the online business information supplier was told by its Wall Street advisers that its London share price was way above the level US institutions were willing to

Hambrecht & Quist, the US investment bank advising MAID, told the company that demand for the 19.6m new shares on offer was firm at struck last night.

levels in London. Under Stock Exchange rules the placing price in the US cannot be at more than a 10 per cent discount to the London market price. As a result MAID conceded yesterday that the US public offering could only go ahead if the London price dropped to about

In the wake of the warning, MAID's shares fell sharply and closed 36p lower at 269p. The issue price in the US was to be

## LEX COMMENT

De La Rue has come to the end of a phenomenal print run. After compound growth of almost 40 per cent over the past four years, the City expects earnings per share to fall by about 10 per cent in the current year. Following a period of exceptional demand from newly-emerging Russian states, the bank note printing operation is reverting to its underlying growth rate of about 4 per cent a year - a fact that Mr Jeremy Marshall, chief exec-

FT-SE-A All-Share Index utive has been warning about for some time. On top Source: FT Extel domina

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of that, the cost cutting and disposal programme, which has done wonders for margins, is all but complete. And the £680m acquisition of paper maker Portals, for which De La Rue vastly overpaid, will dilute

earnings this year.

With only a limited rebound in prospect for 1997 - best estimates are for earnings growth of perhaps 5 per cent - De La Rue clearly deserves to lose its growth tag. Yesterday's 20 per cent fall in the shares has already pulled the stock back to a market average rating. At first sight that appears justified by the group's strong market positions and high

De La Rue is much less subject to wild swings in selling prices or raw material costs than Arjo Wiggins Appleton or Rexam. But bank note printing has still turned out to be both more mature and more volatile than investors had appreciated. Coupled with a setback in payment systems, which the management sees as a growth business, that is likely to put further downward pressure on the share price.

## **Rest of Broadgate** for British Land

British Land has announced £270m (\$426m) of acquisitions and its second equity issue inside a year. The company said it was buying a large portfolio of retail properties and was close to taking full control of Broadgate Properties, the holding company for 1m sq ft of prime City of London offices, with an agreement in principle to pay £120m for the outstanding 50 per

British Land is also buying 7 superstores operated by Tesco, the food retailer, and three retail warehouse parks for £148m. It is raising £22.5m through a placing and open offer of shares at 370p, underwritten by SBC Warburg and UBS.

#### **Lonrho defends Gencor deal**

Lonrho has accused Mr Tiny Rowland, its former chief executive who was removed from the board earlier this year, of being "out of touch with the realities of the situation". It was responding to Mr Rowland's advertisement in yesterday's Financial Times attacking the proposed merger of Lourho's platinum interests with those of South Africa's Gencor. Mr Rowland said the terms of the merger did not offer a fair

price for the loss of ultimate control of its largest asset. The company said: "A full and detailed circular has been issued to all investors and we suggest Mr Rowland would use his time more productively by reading it. The board of Lonrho, advised by Morgan Grenfell, is confident that the proposed transaction is in the best interest of all shareholders." It also pointed to the positive reception the proposed merger

David Wighton

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#### Govett to retain US fund side

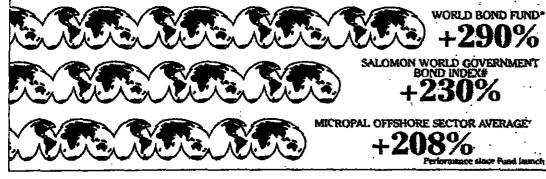
Govett & Co, the investment company, has reversed the strategy announced in April and now intends to retain its US fund management operation and is resuming its search for a significant fund management acquisition in the US. The move marks the second U-turn in a year by Govett. Last February, it announced plans to acquire Duff & Phelps, the fixed-interest US fund management company, but decided to abandon that deal after Govett was charged with fraud and

negligence by an investment trust Govett once managed. Mr Michael Mayer, chief executive of the Govett Asset anagement division, said conclusion of legal proceedings in the US and the absence of an acceptable bid for both the US and UK fund management companies had led Govett to conclude it need not sell GAMCo, its US arm. Allied Irish Banks is understood to be close to concluding a purchase of

the UK fund management operations for £105m.

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Source; Fund - Mercury Asset Management; Index - Salomon World Government Bond Index of Ten Markets; Micropal - Olishore Territories, international fixed interest sector. Figures as at 31/10/95, based on offer to offer prices, gross income reinvested. Fund launched 4/9/85. #From 31/8/85, 'From 30/9/85.

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## Lottery group on track for £300m

By Raymond Snoddy

Camelot, the operator of the National Lottery, appears to be on track to make profits of more than £300m (\$474m) after tax during the seven-year life of its licence

In the 24 weeks to September 16 - the first half-year period when there was a full contribution from both the on-line game and the Instants scratch cards - it made an after-tax profit of £23.6m. The profit, after lottery duty of £301.2m, a non-returnable VAT charge of £126m and tax of £126m, amounted to 0.9 per cent of total

sales of £2.51bn. Prizewinners took £1.27bn, or 50.7 per cent, and the five "good causes" £578.8m,

or 27 per cent. Retailers received £128.3m, or 5.1 per cent, and Camelot's running costs totalled £82.7m, 3.3 per cent of reve-

Sir George Russell, chairman, said the UK lottery was one of the largest, most efficient and popular in the world, attracting 30m regular players.

Camelot, which incurred capital expen-

diture of £115m, is paying a first dividend to its five shareholders of £9.5m. The cost of putting the lottery licence bid together

The Camelot consortium is made up of Cadbury Schweppes, De La Rue, the security printer, G-Tech, the lottery equipment

company, Racal Electronics and the com-

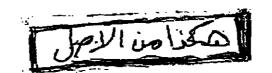
puter group ICL.

Even though the lottery has performed better than expected, Camelot is sticking to its forecast that revenues will total £32bn over the life of its licence and that after-tax profit will average less than I per cent. With a gradual upward trend in ticket sales and the possibility of introduc-ing a new mid-week game if sales flag. total profits of £300m seem attainable.

Yesterday Mr Tim Holley, Camelot chief executive, emphasised that the company was likely to face increasing competition

in the gaming market.
Under its licence agre nues of more than £3.7bn a year only yield 1.65 per cent for Camelot to cover costs and profit, and a greater proportion goes to good causes.

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■ Interview with Prime Minister Vaclay Klaus: by Kevin Done and Vincent Boland

## Two opposing forces 'Fastest privatisation process' begin to consolidate

The Civic Democratic party (ODS) led by Prime Minister Vaclav Klaus is the strongest force to emerge from Civic Forum

Six years after the turmoil of the Velvet Revolution, the Czech political system is taking on a more conventional shape as it begins to consolidate around two main oppos ing forces, the right-wing Civic Democratic party and the Social Democrats.

Several of the smaller parties in 1991 of Civic Forum, the movement that filled the immediate political vacuum following the collapse of communism, are unlikely to survive next June's general elec-

A consistent series of opinion polls suggests that only five parties will achieve the minimum 5 per cent of the votes necessary for representation in the main lower house of

The Civic Democratic party (ODS) and the Social Democrats (CSSD) are likely to be joined by the unreformed Communist party, which continues to gain around 7 per cent of support in most opinion polls, as well as by the two junior partners in the present coalition, the Civic Democratic Alliance (ODA) and the more centrist Christian Democratic Union Czech People's party (KDU-CSL).

The Civic Democratic party (ODS) led by Mr Vaclav Klaus, prime minister, is the strongest force to emerge from Civic Forum and has dominated Czech politics for nearly four years, helped by a highly fragmented opposition.

As next June's general election approaches, the ODS faces the prospect of having to confront a much more cohesive opposition in future, because the Social Democrats led by Mr Milos Zeman appear set to make the biggest gains from the demise of the smaller opposition parties.

From a position where they only 6.5 per cent of the votes and 8 per cent of the seats in the 1992 election, the Democrats have emerged as the second-largest party in a string of opinion polls regularly gaining about 20 per cent support. Their backing peaked at 23 per cent in August this year, but it was still running at 18-20 per cent in polls published last month.

Even Mr Klaus, who remains supremely confident of victory in next year's election, concedes that the Social Demo-

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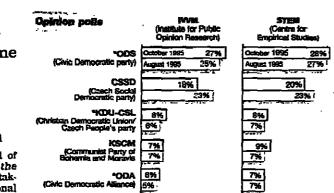
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Josef Lux, failed to proclaim

the ODS as its only imaginable

post-election partner. It could well be that the KOU-CSL will

swing party of Czech politics, much in the manner of the

Free Democrats in Germany.

At the same time Mr Klaus'

other coalition partner the

Civic Democratic Alliance

(ODA) has appeared vulnerable

in recent months with its opin-

ion poll support hovering close to the crucial 5 per cent level.

Its support has nearly balved

became embroiled in various

scandals. Mr Jan Kalvoda, the

ODA leader, and Mr Vladimir

Dlouhy, the industry and trade

minister and the ODA's most

popular politician, face a tough

challenge to restore confidence

and to present a platform that

distinguishes the party from

Mr Dlouhy insists that the

party has come through "the

period of crisis," however, and

that its support has stabilised.

continue. We would not join

with the Social Democrats,

Klaus loses. The Christian

even if they were to win and

Democrats would go with them

fthe Social Democrats), if nec-

essary. We would go into oppo-

political landscape is likely to

emerge in the existing lower

house of the Czech parliament,

the Chamber of Deputies, with

the elimination of several

small parties in the election,

the picture could be compli-

cated by the plan to create a

In an important constitu-

new upper house, the Senate.

Senate will be based on simple

majority, first-past-the-post

voting from 81 constituencies,

unlike the system of propor-

tional representation used for

the existing 200-member lower

It is still to be decided

whether elections for both

houses will be held on the

same day next summer - the

alternative preferred by Mr

Klaus - or whether the vote for

the Senate will be postponed

until the autumn.

While a more simplified

sition."

"We want this coalition to

crats are gaining ground, although he insists that it is not at the expense of the gov-

"The Social Democrats are getting votes from the small parties on the left. They will obably have more than in the last election. But in principle the balance between the parties of the left and the right will be very similar," he says. At the last election, the left still suffered from a general lack of trust from the electorate, but Mr Zeman insists that

gaining ground. Three years ago we were still the party of the old and the less educated, but the structure of our support has changed dramatically. In polls

the Social Democrats are now

Few political observers believe that the ODS can be unseated next

in June we had 2 per cent more support than the ODS from voung, educated voters."

Few political observers believe that the ODS can be unseated next year, but the Social Democrats will have achieved much if they can become the second-largest party and can develop as an opposition force able to offer itself as a credible alternative

government later in the 1990s. The left wing will in any case remain split, because Mr. aan rules out anv si tion that the Social Democrats could enter a coalition with the Communist party. "We can exclude coalitions with the Communists on one side and the ODS on the other," he says, "but I cannot exclude coalition with some other members of

the present government." The bigger threat to the ODS-led government appears to come from within the ranks of the coalition itself. The recent congress of the Christian Democrats, led by Mr

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Czech Prime Minister Vaciau Klaus emerged into the interna-tional spotlight after Czechoslovakia's Velvet Revolution in November 1989. First as federal

> process of economic reform. Intellectually combative with friends and adversaries alike. he has consistently preached the virtues of the market economy claims to be "the fastest and

> Fond of his status as an economist, he has recently been appointed by President Vaclar Havel – on the recommendation of the education minister - as professor of finance at Prague

He leads one of the most stable, centre-right governments of all the transition states of central and eastern Europe, and appears supremely confident that his Civic Democratic Partyled coalition government will be returned to power in next summer's general election.

Question: What are the big ideas that you will put forward in next year's election campaign? Answer: Even if we are in

what we usually call the posttransformation stage, the main idea for the coming election campaign is the slogan of continuity; continuity of policies that started three years ago. It is not a time to start with new programmes or new breakthroughs.

Economic growth in the Cze Republic has lagged behind some other countries in central and eastern Europe, such as Poland. Why did it the take the Czech Republic longer to come out of recession?

First, I have tried a hundred times to explain to observers

Europe), we were dealing with what I prefer to call transfor mation shake-out, a shake-out of non-viable economic activities, which could exist only in protected Comecon markets. with distorted price structures

The faster those activities

two years, 1991 and 1992. This is relatively a very, very short

In 1994, GDP grew by 2.6 per cent. In 1995, until now, it is 4 to 4.5 per cent, and the forecast in the government budget for next year is 4.8 per cent, so for me that is sufficient economic

Artificial attempts to accelerate growth would create more pressures, faster inflation. When you put together infistion, unemployment, GDP finance minister and later as growth, the results of the prime minister of the Czech Czech Republic are incompara-Republic, he has dominated the ble. You can take the figures yourself; this is not my self-praise or anything like

lems that could interrupt this most comprehensive privatisa-

School of Economics.

from foreign countries, from the western world, that the term recession is a nonsense - it should not be used, it does not explain anything. In this country, as in all other countries (of eastern

and with huge subsidies.

were squeezed out and eliminated the better. The deeper social, political and economic transformation - the systemic change - was not about GDP

Our GDP decline was just

Penchant for witty allusions Few political pundits expect that next summer's Czech general election will lead to a change of government. A

Are there any particular prob-

I do not think so. It seems to me that the only potential bottleneck or problem could be We are afraid that accelerating growth can bring more pressures in the labour market, wage pressures, price pressures and inflation. Disinflation is an important policy of the Czech government.

You are facing paradoxical pressures for both devaluation, from a growing trade deficit, and for revaluation from heavy capital inflows. How can you resolve this problem? The combination of a deficit in the trade balance with a surplus in the balance of payments is a quite natural phenomenon of the early ost-transformation stage. So this is not a paradox, it is a paradigm. It is quite natural that with the visible acceleration of economic growth and especially the growth of industrial output and construction, you will have an acceleration

And you have a diversion of exports to domestic consumption, not just to personal consumption, I mean to investments and so on. It is quite natural that during the transformation shake-out companies are not able to find sufficient demand at home, and so they export. Now this year is a sur prise for them - there is domestic demand ~ so some of our very successful exporters of the last few years simply decided to divert part of their exports (to the domestic mar-

So the short- and mediumterm trade deficit is easily explained, and in my opinion it cannot be avoided. This is my professional view as an economist and not just as prime min-

At the same time, I think that the credibility of the country is so high that there is a very rapid inflow of foreign capital into the country, which ans that the balance of pavments is in a visible surplus.

natural exception is Mr Milos

(CSSD), the largest opposition

Zeman, chairman of the

Social Democratic Party

grouping, which is a good

Party (ODS) of Mr Vaclav

Klaus, the prime minister.

parliament with 6.5 per cent of the vote and 16 seats in the

1992 election, the CSSD has

seen its support rise strongly

to around 20 per cent today.

The big test for Mr Zeman is

whether he can capitalise on

that support to win more

seats and play a part

Since it scraped into

nd in opinion poils

behind the Civic Democratic

The solution to the equation is relatively simple. In the short to medium term, the trade deficit must be financed using the surplus in the capital

What are the implications for exchange rate policy?

There is no reason to change There is no reason to devalue, because that would not solve, in the short term, the balance of trade problem, and a small revaluation would not solve, in my opinion, the rapid inflow of foreign capital.

What is the long-term economic growth potential of the Czech Republic, and how long will it take to catch up with western Europe? Our task is to complete the



Vaciav Klaus: "We were dealing

systemic change; to become a normal western European country in every respect. But definitely I expect much faster economic growth than in the average EU country for the foreseeable future - nothing more, nothing less.

Our GDP per capita in 1994 (using purchasing power par-ity) was approaching or was at the level of the countries with the lowest GDP in the EU. such as Portugal and Greece. What are the changes that must happen for the Czech Republic to become in your words "a normal country"? It seems to me that the transformation is more or less over. In a debate with my group of economic colleagues and advisers I asked them: Please, with all your dramatic liberalism in your heads, give me the remaining systemic changes

we have to make or announce

as next year's targets, as I pre-

of the new government.

party will campaign on,

health service, tackling

proper capital markets

watchdog. It is also

yet be covered by the

only his deputy. Petra

Buzkova, one of the few

Furthermore, the CSSD is

governing parties.

The signs are that he will not do so. Mr Zeman ticks off

including reforming pensions,

education and the crisis-hit

developing an environmental

Much of this ground may

hampered by its lack of talent

at the top. Next to Mr Zeman,

Czech politics, has any public profile. The biggest difference

corruption and setting on a

a list of populist themes the

with a capital T and a capital

If systemic change is completed, where do you go from

We will move to more or less standard debates as in your country. Three and a half years ago, in the last election campaign, the promise was to introduce tax reform. To introduce a totally new tax system after 40 years of communism was the transformation measure. Now we are making amendments to the tax laws and talking about what the rate should be. So we are moving more and more towards standard issues and standard

What is your assessment of the mood of the country, and of the electorate?

I think there is a unique stability in the mood and in electoral preferences. This is one of the advantages of the Czech Republic. The economic stability is well known: the fact that we have succeeded in increasing real wages every year with the exception of 1991, the year when prices were liberalised. Take the pnemployment figures and the inflation figures: that is economic stability.

Socially, if you look at the relative stability, there are no strikes, demonstrations or confrontations. That is another constant of the Czech situa-

This government is the longest-functioning government in this country since the break-up of the Austro-Hungarian Empire in 1918 and the birth of the modern Czechoslovak or Czech state. I hope that stability will continue. I don't expect an earthquake in the elections.

The Social Democrats are getting votes from the small parties on the left. They will probably have more than in the last election. But in principle the balance between the parties of the left and the right will be very similar. How stable is the current

Coalition is always a problem in every country in the world. Only Britain and the United States have the advantage of not having coalition government But even in these countries the leading parties are more or less coalitions in themselves. I am not sure whether the troubles in a coalition gov-Year's Eve. Practically we the problems the prime minis-

Milos Zeman, chairman of the Social Democratic party

hetween Mr Zeman and Mr

Zeman is personally more

minister. A plain speaker

with a penchant for witty

vision and air of grandeur.

Mr Zeman refused to take

privatisation programme

describing it as "a trick"; a

ownership of the people by

He is also more at home

among working people than Mr Klans. Both represent a

large industrial constituency

vouchers-for-shares

repetition of the old

communist myth of

part in the

allusions, he lacks the latter's

popular than the prime

Opinion polls show that Mr

have not discovered anything as a Transformation Measure own political party.

I always preach transparency and clear-cut rules. Having rivals in a coalition party is probably better than having them inside your own party. You appear to have adopted a rather Euro-sceptic attitude towards the European Union. Is that not a rather counterproductive approach to an organisation that you wish to

ioin? I disagree with the description that I am a Euro-sceptic. I always argue that I am a Eurorealist, or a Euro-optimist as regards the process of Euro-

pean integration. For me, European integration, definitely, yes. But from that does not follow that all of us living in Europe have the same idea about the form of European integration. I think that the European Union should be a conglomerate of

The basic entity of the European Union should be the state and not the individual European citizen. I am against stronger forms of unification, as are sometimes suggested. I don't believe that the process of European integration should be based on expectations that European feelings will be stronger than the sense of national identity of most Europeans. This is one strong argu-

The second argument is connected with our sensitivity with our past. We probably feel more strongly against headquarters located several thousand kilometres away, govern ing us and controlling us. Our experiences with Comecon and other entities of the past make us feel more strongly. So we definitely want to have less delegation of authority to supranational entities. All other points are of secondary

How long do you think it will take to gain EU membership? My project first is to submit our application letter in January during my official visit to Italy during Italy's presidency of the EU. My task is not to fight for early membership; my task is to fight for an early

start to the negotiations. How long the negotiations take is not in my hands. I am not able to fight over the moment when the moon come out this evening. I am able for fight over whether the electric-

in northern Moravia, home to

working-class towns, and

more like the people he

represents than does the

Mr Zeman claims to be

fulfil a crucial role.

pollution. Mr Zeman, a tall,

shambling, gravel-voiced man

who is a heavy smoker, looks

glant steel mills,

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Vincent Boland

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dapper, tennis-playing prime minister. a sach i "probably the only [current] party leader" who was on the streets on November 17, 1989, the day the communists fied. Since then he has effectively been on the margins of Czech politics, given the dominance of Mr Klaus. If he emerges as an effective opposition leader after the election, he may yet

A Electronic Banking

# THE CZECH REPUBLIC

## Next year's election dominates agenda

The poll is crucial for Prime Minister Vaclav Klaus who wants to maintain the steady progress of economic reform, report Vincent Boland and Kevin Done

he Czech Republic is slipping inexorably into election mode. Although a general election is not scheduled until June next year, it is increasingly dominating the political agenda, forcing a bout of mergers and acquisitions among political parties and lending an air of urgency to problems that have until now been set aside in the drive for economic reforms.

The stability that has characterised the country's political and economic transformation should not be unduly disturbed by the vote. Despite a strong showing by the opposition Social Democratic party in opinion polls, the conservative government of Mr Vaclay Klaus, prime minister, is

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one of the minor coalition parties fails to get into parliament.

While this could happen, all the parties are acting as if it will not. Instead, they are manceuvring for position in the crowded centre of the political spectrum, leaving the extremes to the unreformed Communist party on the left and the Republican party, which still hankers after Czechoslovakia, on the right.

The election is nevertheless crucial for Mr Klaus, who wants to maintain the steady progress of economic reform and see it through to the end. and for the opposition, which must emerge stronger if it is to bolster the country's democratic development. The prime minister points

out that his government, in office since June 1992, is the longest-serving since the break-up of the Austro-Hungarian empire in 1918 and the birth of the modern Czechoslovakia and later the Czech Republic. "I hope that stability will continue. I don't expect an earthquake in the elections,"

Stability has been a boon to the economy, which has been

almost entirely centrally planned under communism into a dynamic market economy with an extensive and increasingly robust private sector. For many observers, one of the country's virtues has been that it did not change its government half way through the reform process, as other emerg-ing democracies in the region have done. Now that responsibility for

economic reform has been passed from the state to the private sector, the government is coming under increased pressure to tackle some of the social and political effects of the changes. It is these - rather than any opposition to economic reforms, which remain widely popular - that will set the tone of the election

campaign. With economic and financial matters dominating the agenda issues such as education, health and welfare have been overlooked. Although spending on the health service, for example, has more than doubled from about Kč40hn in 1991 to nearly Kč90bn this year, the



Doctors have been enraged by the deterioration of the service and complain bitterly about how their pay and social status - always an important factor for Czech people - have collapsed since 1989. Some of them went on strike for a day on November 1 and have taken to sending administrative work to the health ministry, creating a massive postbag for Mr Jan Strasky, the newly-installed minister who has little choice

but to send it back. The government has been slow to react to this mounting crisis, which could cost billions of koruna to sort out, because it wants to see the state's share of health costs reduced. Ministers have tended to allow themselves to be backed into a corner before being forced to settle with angry groups of workers in other sectors. among them railway employees who wrung big concessions earlier this year including a clean sweep of the management of Czech Railways. Many accuse the government

of simply ignoring problems such as these. "Until you start yelling and making demonstrations and striking they never listen to you," says Mr Richard Falbr, head of the Czech council of trade unions.

Mr Falbr estimates that the wages of 30 per cent of Czechs have fallen since 1989; 20 per cent are about the same, and the rest have risen by varying amounts. With economic growth expected to be a robust 4-4.5 per cent this year, unions are pushing for a rise in the minimum wage from Kč2,200 a month and for wage settlements for next year of 8 per cent, when gross domestic product growth is targeted at about 5 per cent.

Czechs have long been used to a relatively high standard of living. Former Czechoslovakia was an economic powerhouse between 1919 and 1938 and later "was always first among the socialist states", Mr Falbr says. But inflation has eaten into modest salaries since the end of communism and

although it is likely to fall to about 8 per cent this year it has led to that common complaint among workers in the new economies: eastern salaries and western prices. How political parties react to these issues will become clearer as the campaign gets under way in earnest next year.

he social democrats are pushing a populist line concentrating on pension and welfare reform and cleaning up business and the stock market, which are almost unregulated.

The Civic Democratic Alliance, a small government party, is seeking to emerge from the shadow of the prime minister's Civic Democratic party (ODS), the dominant partner in government, by stressing the need for accelerated industrial restructuring and microeconomic reforms.

Mr Klaus, meanwhile, says the ODS can run on its record. A milestone in the country's advance will be achieved on

November 24 when the Czech Republic is invited to join the Organisation for Economic Co-operation and Development. Earlier this month it became the first post-communist country to achieve an "A-stable"

investment grade rating from Standard & Poor's, the US

credit rating agency. The rating and OECD membership are likely to see the country move up the league table of investment locations. Direct foreign investment into the Czech Republic is already high, standing at \$5.3bn at the end of September (since 1990). With a consolidation of industry expected now that mass privatisation is over, more is

expected to flood in. On October 1, the koruna took a big step towards full convertibility when current account transactions were fully liberalised and capital account transactions partly freed. The Czech National Bank is now mulling a change in its exchange rate policy

which may involve a widening

of the band against which the koruna trades against a DM/\$

The band is currently 0.5 per cent either side of parity. With pressure both for a revaluation, to curb speculative capital inflows, and for a devaluation to boost sagging exports, the CNB is reluctant to have its hand forced. Mr Josef Tosovsky, CNB governor, says the bank is conscious of the need for more flexibility but wants to avoid a shock to the

"We are thinking about how big this flexibility should be and what problems it would create and solve," Mr Tosovsky says. "If our intention is to eliminate short-term speculative capital, then limited flexibility would be sufficient. If we think about future competitiveness, more flexibility will be

Bankers say a change to the band, widening it to 3 or even 5 per cent either side of parity, could be introduced before the end of the year. The size of the change will depend on whether the issue of short-term capital inflows, which make inflation difficult to fight, or the widening trade deficit, wins the argutary question, the latter more political.

If action is taken it could be the last significant policy move before the election. Strategic privatisations are likely to take a back seat until after the vote. The state is still a big shareholder in the politically sensitive banking and energy sectors but, despite mixed signals from the government about the timing of further sales, none is likely to be implemented until the election is out of the way.

Czechs might welcome a

breathing space, given the pace of change since 1992. Mr Klaus, whose political antennae are finely tuned, is too pragmatic to stir up unnecessary controversy. In January, he is due to present the Czech application for membership of the European Union to the Italian EU presidency. The country is considered to be first in the queue of east European states for EU membership, but the government wants negotiations on entry to start as soon as possible, regardless of the date of

## Milestones in transition

Vincent Boland reviews the most important dates in recent Czech history: November 1989:

Communist government resigns in disgrace after mass peaceful demonstrations in Wencesias Square, led by students and dissidents. December 1989: Playwright and dissident Vaclay Havel becomes

president of Czechoslovakia. Provisional civilian government appointed, with Vaclay Klans as federal finance minister. Conservative market-oriented economic policy adopted. June 1990:

First post-communist general elections. With new states emerging throughout eastern Europe, first stirrings emerge of Slovakia's desire for independence. Government prepares

privatisation programme using a system of coupons which will be sold to citizens for a nominal sum which they can exchange for shares in state companies. It also begins returning private property nationalised by communists in 1948 to original owners or their descendants.

 December 1990: Central bank devalues Czechoslovak koruna and makes it internally convertible. Reform of

banking sector begins after old state bank is broken up into commercial units. April, 1991: Privatisation drive gains momentum. Volkswagen of

AUSTRIA

Germany signs agreement to buy 70 per cent of Skoda Automobilova, one of the country's most important companies, for DM1.2bn in the first big-ticket sell-off. Ambitious investment programme planned at Skoda and although it would later be scaled down the

Skoda-Volkswagen deal triggers growing interest among foreign investors. May 1992: First wave of coupon privatisation begins. Some

10m Czechs and Slovaks have bought coupon booklets for Kčs1,000 each and begin to select shares of about 1,000 state companies included in the wave. Companies include main commercial banks and industrial groups.

Investment funds established by banks and others to invest in companies on behalf of the public attract an enthusiastic response after initial hesitation. June 1992:

General elections held. dominated by the issue of the dissolution of Czechoslovakia. Klaus becomes Czech prime minister, Vladimir Meciar

becomes prime minister of Slovakia. Talks on split begin in earnest. Referendum ruled out. Elections will henceforth be held every four years.

SLOVAKIA

 July 20, 1992; President Vaclav Havel, who opposes break-up of federation, resigns as president.

 December 20, 1992: Czech Republic joins Central European Free Trade Area with Slovakia, Poland and Hungary. January 1, 1993:

Federal Republic of Czechoslovakia dissolves at midnight on New Year's Eve amid relatively muted celebrations on both sides. Czech Republic and Slovakia emerge as newly independent states and begin to move their separate ways. Both countries

immediately win international recognition. ● January 26, 1993: Havel reappointed president of Czech Republic by parliament.

• February 7, 1993: Monetary union with Slovakia ends. Czech koruna becomes official currency. Czech-Slovak customs union in place to ensure no interruption to mutual trade. June 22, 1993:

Prague stock exchange,

dealings in shares of

already trading bonds, begins

encouraged by political stability and pace of economic reforms, seek opportunities. • June 30, 1993: Czech Republic joins the Council of Europe.

January 1994: Second wave of coupon privatisation begins, with

more than 860 companies on offer to citizens. Share prices of first-wave companies begin to peak on the stock market, foreign investors take profits, and prices begin a long, slow

Share prices gradually begin

to rise. Foreign investors

 March 1994: Czechs agree to join Nato's Partnership for Peace initiative while continuing to push for full membership of

April 1994:

Sensational trial of a secret service agent accused of blackmail by Viktor Kozeny successful investment fund pioneer, in a case that momentarily threatens privatisation process. Agent convicted: Kozeny abruptly leaves the country complaining of media attacks. He has yet to return. February 1, 1995:

European Union. It is already at the head of the queue of central European states for March 1, 1995: Second-wave shares begin trading on the stock exchange, which becomes the biggest in central Europe

based on the number of

quoted companies (about

Czech Republic becon

associate member of the

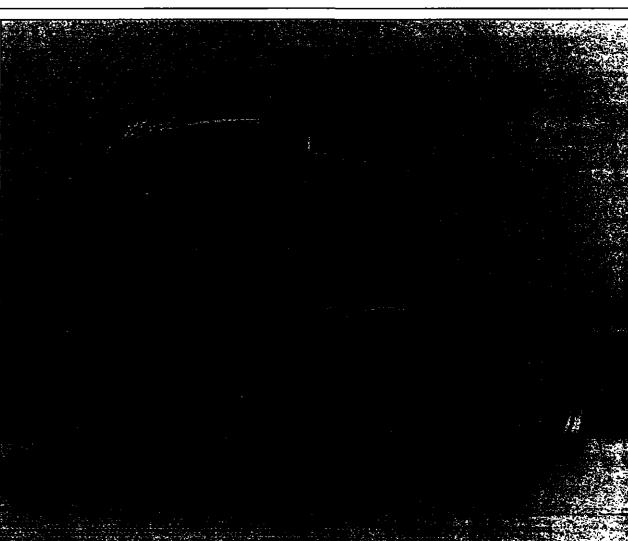
1.800). Prices do not mmediately recover. ● June 28, 1995: PTT Telecom Netherlands and Swiss Telecom take 27 per cent stake in SPT Telecom for \$1.45bn; Europe's biggest cross-border telecoms deal at

October 1, 1995: Czech koruna becomes fully convertible for current account transactions and partly convertible for capital account transactions.

the time.

 October 20 1995: Final negotiations begin on entry into the Organisation for Economic Co-operation and Development. Membership expected by

 January, 1996: Government to apply for membership of the European



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THE CZECH REPUBLIC III

Tourism: by Kevin Done

# foreign exchange

The crowds of foreign tourists Republic last year, about 16 that flock all year round to Prague to admire the medieval and baroque splendours of one of Europe's most beautiful cities have had a powerful impact on the Czech economy.

Tourism was one of the first sectors to flourish in the wake of the Velvet Revolution. It has become a dynamic source of foreign exchange earnings; a welcome counterweight to the country's growing trade deficit, and has provided a crucial source of new jobs to balance declining employment in sectors such as manufacturing industry.

Foreign currency earnings from tourism jumped by 26 per cent to \$1.97bn last year, according to the Czech National Bank, which estimates that earnings rose by a further 23 per cent in the first half of this year to about \$1.15bn. Earnings from tourism have grown almost five-fold since 1990.

The sector accounted for about 5.5 per cent of the Czech Republic's gross domestic product (GDP) last year and earnings were equivalent to more than 14 per cent of the

value of Czech exports. With its central location in Europe, more than 97 per ceut of visitors from abroad arrive by car in the Czech Republic, undeterred by the poor state of the roads and the heavy traffic that clogs the main routes through the country.

More than half of these visitors stayed in Prague. According to figures from the Ministry of Economy, of the 101m visitors to the Czech per cent were tourists who spent at least one night in the country. Two-fifths were Germans, and another one-fifth were visitors from Austria, Italy and the Netherlands

"Tourism was one of the first sectors of the economy to be privatised," says Mr Karel Kostrik, a specialist in the Economy Ministry. "It was the first industry to show the fruits of being in the open market economy. A great many jobs were created and mainly in small enterprises, so they can change very quickly

and flexibly." He admits that more investment is needed now. however, both in the road, airport and rail networks, and in the anality of torrist facilities on offer, if the growth of recent years is to be sustained.

Another challenge is to woo tourists away from Prague where some key attractions such as Charles Bridge and Old Town Square are already under intolerable pressure in peak seasons - to other destinations in the country, including citles such as Telc and Cesky Krumlov whose historical centres are already included in the Unesco (United Nations Educational, Scientific and Cultural Organisation) list

The Czech Republic is renowned for its spas, in particular the Bohemian town of Karlovy Vary (Karlsbad), whose 12 hot springs are used in the treatment of the digestive system.

cerns and remains so today

despite Czech participation in

The collapse of the Habsburg

empire after 1918 created a vac-

uum that could not be filled by

from it. That process was

repeated after the second world

war. The first crisis was

exploited by Hitler, the second

by Stalin. In both cases,

Czechoslovakia was a promi-

Now there is a third vacuum, for which many in the region

believe the only solution is the

eastward expansion of Nato.
"The most stable solution for central Europe is the enlarge-

ment of western institutions,"

says Mr Jiri Payne, chairman of parliament's foreign affairs committee. Although he adds

that the priority is security,

Nato membership is seen as

approach to the EU and Nato

and has rejected suggestions of

regional co-operation with Slo-

vakia, Poland and Hungary. It is a semi-detached member of

both the Visegrad Four group-

ing and the Central European

Free Trade Area, which

Since the split with Slovakia,

the two have moved apart rap-

idly and there is little sign of a lingering special relationship.
Although Mr Klaus and the

Slovak prime minister, Vladi-

mir Meciar, worked closely on

the dissolution of the federation they now find it hard to meet. Lost faxes and unre-

turned phone calls were

blamed for the collapse of a

Two other issues are contro-

versial. One is the Czech rela-

tionship with Germany. Ger-

man investment in the country

On the German side, there is

recent summit.

includes those countries.

The government pursues a go it alone policy in its

essential to it.

nent victim.

of historical monuments.

■ Foreign policy: by Vincent Boland

## Focus on EU membership

Vaclay Klaus has spoken of starting a at the forefront of political convelvet revolution in Brussels when his country joins

too much heed to Russian objections to such a move.

Klaus is due to hand the coun-

starting "a velvet revolution in Brussels" when the country joins. He has aligned himself with British opposition to federalism and for decision-making to remain in national capitals, and has attacked the EU

ing but its reasoning is based on the Czech Republic's historical experience of taking orders from elsewhere. Having sacrificed so much to win back sovereignty, Czechs are unwilling to cede too much of it to Brus-

Novertheless, a real debate on what EU membership will entail has not yet started. A sector British Foreign Office official observed on a visit to Prague in October that he had not been able to ascertain Whether the Czech motivation to join the EU was based on political or economic - or any

For the Czechs, it may not be as simple as that.

■ The economy: by Kevin Done

The overall achievement in stabilising the economy has been rewarded by a heavy inflow of foreign capital

The recovery that began in 1994 is gathering pace. The Czech economy is forecast to grow by more than 4 per cent this year and by more than 5 per cent in 199 The rate of inflation is one of

sition economies of central and eastern Europe. The year-on-year rise in consumer prices has fallen below 9 per cent this year and is expec-

ted to show a further modest

the lowest among all the tran-

fall next year. At the same time, the Czech Republic has maintained one of the lowest rates of unemployment in the region with the number of jobless accounting for only 2.8 per cent of the workforce in October, which was down from 3 per cent in

There are concerns about the widening trade deficit and the development of productivity in industry, but the overall achievement in stabilising the economy has been rewarded by

the rapid deterioration in the trade deficit, together with the

ciation of the koruna will undermine the country's competitiveness in export markets and exports are regarded as the main engine for growth.

The growing trade deficit,

account of the balance of payments into deficit. On the short-term deposits.

Foreign exchange reserves had jumped from \$9bn at the end of last year to \$14.9bn by

ernment is expected to widen the present narrow band in which the koruna is allowed to

He describes it as "a quite natural phenomenon of the early post-transformation stage" with rising imports accounted for by growing investment, as industrial output and construction expand.

"In the short to medium term the trade deficit must be financed using the surplus in the capital account," he says. The Czech Republic's inter-

national credit rating has been rising steadily. This month, Standard & Poor's, the US credit rating agency, raised its assessment of the Czech National Bank's senior foreign currency debt to "A" from "BBB+" and changed its outlook for the country to stable from positive

S&P said that its latest upgrade acknowledged "the Czech Republic's relatively painless transition from a planned to a market economy, characterised by: socio-political stability, strong public finances, declining inflation, stable currency, and the continued improvement in the government's already strong internal and external financial

challenges facing the country

the banking sector.

Later this month the Czech Republic's economic progress will be reflected too by the landmark official invitation to join the Organisation for Economic Co-operation and Development. It will be the first post-Communist East European country to join the organisation of rich nations, and will become the 26th member of the

The Czech Republic and Hungary are also the two countries judged by the European Bank for Reconstruction and Development to have made most progress in the process of transition to an open market economy.

In terms of small-scale privatisation and its trade and foreign exchange system, the Czech Republic has reached the "standards and performance typical industrial advanced economies." says the EBRD in its recently-published Transition Report 1995.

restructuring, liberalisation, competition policy and the reform of financial institutions.

The magnitude of the task of catching up with west European economies remains great and will be a "long haul", although Mr Klaus is confident that growth rates in the Czech Republic will now be consistently higher than the average for the European Union despite potential serious bottlenecks, such as the already very low rate of

unemployment.
The Czech Republic was the only country in the region of central and eastern Europe that belonged to the world's most advanced economies and it is still only at the beginning of the road back to

rejoining this group. "While creating the potential for a well functioning market economy and maintaining stability and popular support, the Czech policy makers have so far been unable to foster rapid output, productivity and income growth," says Mr Jan Svejnar of the Department of Economics at Pittsburgh University and editor of a recently-published study: The Czech Republic and Economic Transition in Eastern Europe.

"The aspiration of moving the Czech economy towards the ranks of advanced economies has thus not yet been fulfilled and remains to be tackled in the next phase of transition."

#### Dynamic source of Recovery gathers pace in the medium term involve the modernisation of industry, prime minister, dismisses fears The Czech National Bank over the development of the changes in corporate goveradmits that the combination of nance and the strengthening of trade deficit.

"extraordinarily strong" foreign capital inflows, is producing "contradictory" revaluation and devaluation expectations for the koruna, the Czech currency. The pressures on the exchange rate are posing a serious policy dilemma with the danger that further appre-

caused by a surge in imports, is forecast to rise to about \$2.0bn this year and has plunged the overall current other hand, there will have been a net inflow of foreign capital of \$5bn this year. including \$1bn of speculative

mid-October. In the short term, the gov-

S&P says that the biggest

countries in the region both in The bank estimates that the large-scale privatisation and in private sector share of gross the implementation of effective domestic product (GDP) in the legal rules on investment. Czech Republic at around 70 The process of transition is per cent is now the highest in less well developed in areas central and eastern Europe, such



meterer Price Index

and it says that Prague has

gone as far as any of the

as

enterprise

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Prime minister more clear-cut. The security vacuum that emerged after the fall of the Berlin Wall has been

Almost every act of the Czech government since the collapse the small states that emerged of communism has had one overriding goal: to see the country return to the European mainstream. This desire is a legacy of Czechoslovakia's short but much-recalled period ns a stable and prosperous democracy between the two

world wars. Now that it is again a stable and potentially prosperous democracy there is growing impatience with the glacial pace of the west's drive to fully incorporate emerging Euro-pean states into western institutions. President Vaclav Havel has warned that Nato is running out of time and paying

The government is more sanguine, especially about the European Union. It asserts that the Czech side has done all it can to earn the credentials for membership. The rest is up to

Brussels. "My task is not to fight for early [EU] membership," says Mr Vaclav Klaus, the prime minister, but "to fight for an early start to the negotiations on membership." That fight will begin in January when Mr y's application to join to the italian presidency of the EU.
It is difficult to assess what

Czechs want or expect from membership of the EU aside from its symbolic confirmation of the country's "return to Europe". Ministers insist they do not want to simply siphon cash from Brussels to spend at home. They want to see the Czech Republic "contribute" to

is high but Czechs are wary of becoming a source of cheap Mr Klaus has spoken of labour for German companies, even as the realisation grows that they will inevitably become part of the German-dominated economic zone. the question of Sudeten Germans expelled from Czechoslofor its "socialist" tendencies.

vakia after the second world Much of this may be posturwar. Some Germans want compensation but most Czechs will not hear of it. There were no Sudeten Germans, Dr Payne says, just Czech Germans "who destroyed Czechoslovakia" by collaborating with Hitler. The issue remains an irritant in bilateral relations.

The second issue is the relationship with Russia, which has effectively been cast aside in the Czech drive to the west. Czech-Russian relations were once characterised by druzhba, a sort of ideological friendship. Dr Payne says Moscow still thinks in that context "and I'm convinced we don't like this

Working out a new one

## Tough new era looms

Attempts to create a mid-sized tier of institutions to replace the many undercapitalised small banks have failed

The Czech banking sector is bracing itself for some tough times. The country's expected entry into the Organisation for Economic Co-operation and Development soon is likely to necessitate a gradual liberalisation of the sector, intensifying competition in an already over-

crowded market. The first indication of changes came in October, with confirmation that a big merger of two large institutions, the savings bank Ceska Sporitelna (CS) and the trade bank Ceskoslovenska Obchodni Banka (CSOB), was being considered.

Both banks have played down the possible merger, saying only that talks were "very preliminary." Nevertheless, they have acknowledged that a series of link-ups to create big-ger and stronger institutions is needed if the sector is to be able to compete with foreign banks and hold its own when the country joins the European

Mr Josef Tosovsky, governor of the Czech National Bank which oversees the industry. says the central bank has no objection in principle to big mergers, but he warns that mergers will not be possible without a full liberalisation of the market."

As it is currently structured, the Czech banking system poses a dilemma for the CNB. The market is dominated by four institutions - Komercni

After a difficult year in 1994, these banks have posted strong interim figures for fiscal 1995 and provide a strong backbone for the rest of the sector. Attempts to create a mid-

sized tier of institutions to replace the many undercapitalised small banks have failed despite encouragement from the central bank for the past two years. Two institutions that might

be called mid-sized do not really fit the bill. Zivnostenska Banka, partly owned by BHF of Germany, is a niche operator. Agrobanka, the fifth-biggest bank, nearly collapsed in 1993 and was put in intensive care by the CNB. Now it has made a move to join the big four as a significant general service bank.

Some of the country's small hanks, meanwhile, are deeply troubled. One, Ceska Banka, hank to close its doors in late October after loans it issued in 1992, its first year of operation, Having shut three banks in

1994, the CNB must have hoped the sight of worried depositors queueing outside a closed-down bank to salvage their savings was a thing of the past.

Mr Tosovsky says problems at some small banks are being monitored but he stresses that "the core of the system is

sound. The large banks are no strangers to competition, although it has been slow to develop, KB, IPB and CSOB were created from the old State Bank in 1990 along vertical lines. This was initially an advantage and allowed them to achieve a solid footing in areas

in particular is still very dependent on its core savings market, accelerating competition is leading to a fight for market share, especially of primary deposits and corporate lending to cash-hungry privatised companies.

A new area of business is being opened up with the granting of mortgage licences to selected banks for the first time. Fresh legislation will permit subsidised loans for affordable housing, partly to reverse the fall in construction of new

Josef Tosovsky: no objection in

houses and apartments over

the past five years. Demand is

intensified by the arrival of for-

eign banks in Prague, Aus-

trian, German and US banks

arrived in force until late in

1993, when the CNB stopped

issuing licences. The central

bank is mulling the lifting or

easing of the ban on new

licences, and the first benefi-

ciary is expected to be Midland

The main problem the big

of the UK.

Competition has also been

The weaknesses of both would be addressed by a But such a merger would be an administrative nightmare. CSOB is owned entirely by Czech and Slovak state institutions, including the central banks of both countries and the Czech finance ministry. The Czech National Property Fund, the state holding company, also owns 45 per cent of

It is not clear how a merger would proceed and whether the state would remain a big share-

light of growing competition is

their relatively small size.

They are giants in domestic

terms but small compared to

the foreign banks with whom

they must compete. Hence the

talk of mergers to create stron-

If CS and CSOB were to

merge - and at this stage it

must be considered a big if - it

would be largely complemen-

tary, analysts say. CS domi-

nates the primary deposits

market and has some 2,000

branches. CSOB is strong in

corporate and trade finance

but has a limited branch net-

work and is a significant

player on the money markets.

ger institutions.

It would also be a severe test of management at both institutions. A merger would "be a very complex and political process," observes an investment banker in Prague who doubts that either CS or CSOB has the expertise to manage it success-

A CS-CSOR link-up would create the largest Czech bank, with assets of about Kč520bn, overtaking Komercni Banka. which is the largest, ranked by total capital, and the secondlargest (behind CS) ranked by

■ Capital markets: by Vincent Boland

# Fund managers under siege

The big banks have been criticised for the way they responded to the attempt

to take control of their funds

Czech fund managers bave visibly aged in the past month. Their grey hairs resulted from a burst of activity on the stock market that saw a small bank lay siege to some of the country's senior fund managers. including banks far more powerful than itself.

The stated aim of Plzenska Banka, and its backers Agro-banka and Motoinvest, a financial company, was to buy enough shares of the targeted funds to onst the managers and install its own. Motoinvest, the brains behind the stock market raids said it wanted to create a financial group that could compete with the big banks.

Plzenska's move caused consternation at Komercni Banka, Zivnostenska Banka, Creditanstalt and Ceskoslovenska Obchodni Banka, which manage the large investment funds it targeted. KB and CSOB fought a fierce bettle to keep the upstart bank at bay and even went so far as to buy back stakes in their funds from Plzenska, which pocketed large profits and seems to have backed off for the moment.

Plzenska-Motoinvest's actions, and the reactions they provoked, speak volumes for the Prague stock exchange. which is an insider's market. Both institutions have been vague about the source of their shortcomings, have experience financing and their larger and a wide knowledge of the motives, other than that much

banka, the largest privatelyowned Czech bank, and that they wanted to create a financial conglomerate (Motoinvest now controls Agrobanka). Neither institution broke any

rules in the operation although this may be because, as one weary fund manager put it there are no rules in this market to break." Pizenska is, however, being investigated by the Czech National Bank for possible breach of prodential banking practice by investing too much of its assets in the stock market.

Critics of the strategy, of whom there are many, say nevertheless that it may have taught the market a lesson. This is that investment funds need to be actively managed to close the often high discounts to net asset value at which many of them trade. Otherwise they are a legitimate target of more aggressive managers.

Plzenska and Motoinvest have had difficulty convincing the market that their strategy was designed to create value for other shareholders. Analysts - many of whom said they did not really understand what was going on because of the secrecy surrounding Motoinvest - said the raids on the funds raised a number of issues that cast doubt on claims that it was an aggressive investor seeking to enhance shareholder value.

First, it is not clear what added value Plzenska and Motoinvest would bring to fund management. Both are little-known institutions run by inexperienced young executives. Komercni, CSOB and the other banks, whatever their companies in which their

of the money came from Agro- funds have stakes resulting from mass privatisation. "Offered a choice between Komercni and Pizenska as my fund manager, I would choose

Komercni without hesitation," one analyst said. Second, the big banks have been criticised for the way they responded to the attempt to take control of their funds. Analysts noted that the parent banks of the fund managers appeared to pay for the initial buying of shares to thwart Pizenska. Czech funds are generally not liquid, but Komercoi

and CSOB, or their fund man-

of millions of korunas fighting

ement arms, spent hundreds

off Pizenska in the market. "If Pizenska and Motoinvest made money, then somebody had to lose it," said a senior foreign banker in Prague. "The banks should ask themselves whether spending so much money was justified simply to retain control of their funds."

Third, the Plzenska-Motoinvest move had many of the hallmarks of a "greenmail" operation - where a company is forced by a hostile or unwanted takeover bidder to buy back its shares at above market value. Although they said they wanted to make it big in the fund management business, they sold out to KB and CSOB shortly after acquiring stakes of more than 10 per cent in the funds of those banks. Motoinvest made a reported Kč200m profit when KB bought back the stake in its own fund.

While all of this was going on, fund managers also had to digest the deal in which Mr Viktor Kozeny, the privatisation fund pioneer, sold stakes in seven key Czech companies to Stratton, an investment company owned by Mr Michael

Stratton acquired large or controlling stakes in companies in the paper, chemicals, oil, transport and brewing industries in a transaction valued at \$140m. Mr Kozeny's Harvard funds

sold the stakes to Stratton over the past few months and have spent much of the \$140m rebuilding the stakes in the market, without alerting other investors. Harvard will vote with Stratton in each of the companies involved in return for 10 per cent of future gains the latter makes.

A catalyst for Stratton's move may be proposed changes to securities legislation. One proposal would require investors to report stakes of more than 10 per cent in companies. Currently no disclosure is required. Another measure would require an investor taking 50 per cent and one share of a company to offer buy-out terms to minority

These relatively mild proposals are not guaranteed to get through parliament, according to some fund managers. How-ever, their author, Mr Tomas Jezek, believes they will be approved, probably early next year, and that the interests of small shareholders will be put on a par with those of the large funds and strategic investors.

sary for the credibility and transparency of the capital market," Mr Jezek says. They represent the first significant changes to the regulations on capital markets since economic reforms began. A long-heralded period of consolidation may now be under way on the Prague stock market. Mr Jezek says his proposals should ensure that it is relatively

## A jewel in the crown

The Czech Republic's Nova TV, eastern Europe's first private national, commercial television station, has managed to eclipse state-owned operator CTV after only 21 months in

Nova TV, controlled by Mr Ronald Lauder, one of the beirs to the Estee Lauder cosmetics fortune, already claims an average share of 70 per cent of Czech television

It generated pre-tax profits of \$19.71m in the first six months of 1995 following a pre-tax profit of \$10.38m in 1994, its first year of

broadcasting operations. Nova is the iewel in the crown of Central European Media Euterprises (CME), in which Mr Lauder holds a controlling 51.9 per cent stake. CME was formed in 1991 as a pioneer of private,

commercial television and radio stations in central and eastern Europe. It owns a 66 per cent equity interest in Nova. A further stake of 22 per cent is held by Ceska Sporitelna, the Czech savings

easting in February 1994, has become a model for CME, as it expands its operations.

station's director-general and a former screenwriter and leading activist in the 1989 Velvet Revolution, says that Nova TV is operating much more profitably than was forecast.

After breaking even in less than a year, it will have paid off more than Kčlbu invested in the operation much sooner than the five years forecast in the original budget, he says. Nova has a 12-year licence

1992 with total expenditures soaring from \$6m in 1991 to Nova, which began \$96m last year.

Mr Vladimir Zelezny, the

The television advertising market in the Czech Republic has expanded rapidly since the beginning of privatisation activities in the country in

Nova TV gained net advertising revenues of \$47m in the first six months of 1995, compared with \$53m in the whole of 1994

CME believes that its early entry into the Czech market has been a key reason for Nova's initial success. It has been able to capitalise on the rapid growth of the advertising market and has also benefited from limited competition with the number of television broadcasting frequencies restricted by

> government licensing There are four main

television stations in the Czech Republic. The two state-owned channels, CT1 and CT2, reach 98 and 71 per cent of the 10.4m population respectively. Of the two private commercial stations. Nova TV reaches 99 per cent of the population and serving mainly Prague, which

began broadcasting in late

1993, reaches 40 per cent. Premiera's current owner. Investicni a Postovni Banka, one of the leading Czech banks, is seeking a foreign partner. There are no other significant television stations broadcasting Czech language programmes to the Czech Republic, and CME believes that additional private national broadcast competition "is unlikely in

the near future."

Kevin Done

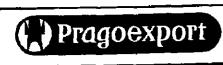




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# Well-laid path to profits

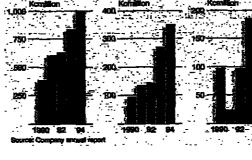
The Chlumcany Ceramics Works, the Czech Republic's leading maker of floor tiles, has increased its turnoverand the value of its exports sales each year from 1991 to 1995, despite the daunting challenges of transition from the old communist system.

has faced the loss of many of of its traditional east **European markets following** the collapse of the old East bloc Comecon trading system It has had to deal with currency upheavals, price liberalisation, tax reforms and the introduction of valued added tax, privatisation, listing on the

stock market and, not least, the splitting of the former Czechoslovakia into two separate states. Chlumcanske Keramicke Zavody (CHKZ) has emerged strongly from these trials. however, and has avoided

falling into the hands of a strategic foreign investor. It has invested heavily in new technology in order to raise its quality and product assortment to a level competitive with its leading

rivals in Italy and Spain. With modern products it has found new markets both in west Europe, in particular in Germany, and in eastern Europe, most notably in



PROFILE Chlumcenske Keramicke Zavody (CHKZ)

Poland, In five years it has managed to raise its turnover by more than 150 per cent from Kč394m in 1990 to Kč1\_02bn (\$38.9m) last year, helped by a 260 per cent rise in exports to Kč352m.

Pre-tax profits have been virtually trebled from Kč71.6m to Kč213m (\$8.1m) in the same period. During these five years the workforce has been trimmed by 12 per cent to 1,275, and turnover per employee has almost tripled from Kč310,874 in 1990 to Kč889,499 last year. The momentum is being

sustained this year according to Mr Jaroslav Penicka, CHKZ managing director, who forecasts a further rise in profits of around 20 per cent and of 14 per cent in sales. Located in gently rolling hills to the south of the west

Bohemian town of Plzen (Pilsen), it has a big advantage in being able to draw 80 per cent of its raw materials, most importantly china clay, from its own local quarries. The driving force behind

CHKZ's growth has been its readiness to invest heavily in new technology, says Mr Penicka, with expenditure running at about Kč200m a year in each of the three years from 1993 to 1995. The modernisation programme has been financed largely from cashflow.

In 1990, CHKZ produced about 4m square metres of tiles, of which some 800,000 were exported, chiefly to the Soviet Union. "We realised we could not compete on western markets with these products, says Mr Penicka, "We decided

we had to change completely the product range and modernise the company. CHKZ has purchased Italian machinery to renew and

automate its tile production lines, a process now 90 per cent complete and which will be finished in the first half of next year. In the process, energy consumption has been cut by 60 per cent. By next year, CHKZ will have built five new tile production lines in a five-year, Kčibn investment programme. It has already embarked on further expansion with the development of a majority-owned domestic

joint venture with an annual

capacity for an additional 2m

sq m of tiles.

Kevin Done

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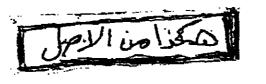


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#### **COMMODITIES AND AGRICULTURE**

# Fischler to outline reform options

By Caroline Southey

Mr Franz Fischler, the European Commissioner for agriculture, yesterday confirmed that he would outline a set of options next week for reforming the European Union's common agricultural policy and the agricultural sectors of eastern and central European countries as part of the union's enlargement strat-

Mr Fischler's CAP reform proposals, which face tough opposition from European agricultural lobby groups, are expected to include further cuts in price support for farmers and the outlines of a new

strategy paper on enlargement to be delivered to the EU summit in Madrid next month, will be presented to agricultural ministers as well as the commission next week. Mr Fischler said a degree of

"dynamism" was necessary in the debate on EU agricultural policy and that he was opposed to "freezing the CAP" in its present form. He said the EU needed to "new concept" for the shape of agriculture over the next 10 to 15 years.

But, he added, he was also against "calling into question everything we have achieved" in the EU's agricultural sector. Mr Fischler said the EU would have to face up to fur- said it was also important to

curbs on subsidised production. It was also necessary to face up to the fact that additional markets could only be exploited if products were exported without refunds.

He pointed out that 60 per cent of the total agricultural budget was paid directly to farmers, a level that the EU "will not be able to continue or justify" by the turn of the cen-tury. "Will it be possible to justify in 2000 compensation payments for price reduction which took place in 1992?" he asked.

Mr Fischler, in his first public comments on the proposals,

The proposals, which will ther changes to the CAP by adopt a "broader approach" to form part of the commission's 2002 when a new world trade rural policy. This would have round will impose further to ensure the future viability of rural areas through the development of rural infrastructure and support for alternative employment opportunities. "We cannot ignore the fact

> ers than farmers in rural areas," he said. The commissioner said he would also outline options on how eastern and central European countries could be absorbed into the EU. His preferred option was to set down

that there are more non-farm-

specific interim rules for each spirant member state. Another option was to plan for long transition periods for the countries seeking acces

changing rules. and hormone "cocktalls" had created a legal loophole since EU scientists first drew up the

rules in 1981. non-scientists, including con- a news conference. But it first step towards ending of the Trade Organisation.

might be necessary as a result of the conference to consider has been challenged by the US, where the use of natural hormones and two synthetic hormones is allowed.

Washington is waiting for the results of the conference

believed that deposits from

Some countries were said to favour a shift to well-head production, a simpler measurement than the present system, which is based on adding together net exports, domestic consumption and sales of oil held in storage overseas.

#### Opec aims Lead prices jump to 5-year to put its own house in order By Kenneth Gooding,

Oil ministers from the Organisation of Petroleum Exporting Countries are due to meet again today in the Austrian capital for talks that will focus on ways to improve the lagging production discipline within the group. The need to reduce cheating

by a number of Opec states will figure highly in today's talks say ministers, although some delegations continue to blame non-Opec producers for the uncertainty in international oil markets.

Mr Erwin José Arrieta, the Venezuelan oil minister and current Opec president, yesterday said Opec's efforts to "stahilise the oil market through self-imposed restrictions on ontput have been unduly abused" by oil producers out-

side the organisation. But other ministers, including Mr Abdallah Salem El-Badri of Libya said Opec first needed to deal with the issue of its own over-production. "We have to fix our own house first" before dealing with non-

Delegates last night said there might be an attempt today by Iran and others to simplify the way Opec calculates the production of its member states. The proposed change could form heart of a package of measures to ensure greater compliance with national quotas.

Most industry analysts last

night still expected Opec to extend the present production ceiling of 24.52m barrels a day, although it was not clear whether the ministers would opt for a one-year or six-month

## highs as stocks fall again Mr Robin Bhar, analyst at

Mining Correspondent

Lead prices on the London Metal Exchange yesterday jumped to their highest level for five years. Analysts suggested it was likely that stocks of the metal - used mainly to make batteries would continue to fall, that supplies would remain tight and that prices would go on

Battery producers, who account for about 60 per cent of lead demand, were warned what was in store during London Metals Week last month when Mr Chris Torrible of the CRU International consultancy organisation, said that lead stocks might soon approach historically tight levels equiva-lent to only five weeks of con-sumption. When that last hap-pened in 1989, he said, "we had a boom in prices". Lead prices would move above \$750 a tonne

Brandeis (Brokers), a Pechiney subsidiary, suggested there +550 to 52.340 +550 to 52.340 +2.425 to 213,876 -4,550 to 177,275 -456 to 47,520 -8,200 to 591,250 -30 to 12,670 lead price reaching \$750 a tonne and then it was in virtually uncharted territory until it reached \$800. Both analysts cited a fall in

exports from eastern Europe in the middle or towards the and former Soviet republics. end of next year and the averparticularly Kazakhstan, as age for 1996 would be between one reason for the present sup-\$700 and \$750. Mr Torrible said ply tightness. Demand from yesterday that he had no reabattery producers was high son to change that prediction but "prices could well go after an unusually not summer higher than we were forecastautomotive batteries - in the northern hemisphere. After the LME reported yes-

Mr Bhar pointed out that much of the lead in LME stocks was from eastern Europe or the CIS and not suitable for use in batteries without being remelted. Also, a great deal of LME stock was tightly controlled by merchants or producers who needed it for future use.

## Meat hormone rules to be re-examined

The European Union will hold a conference next week to examine the use of growth hormones in meat production, European Agriculture Commissioner Mr Franz Fischler said yesterday, reports Reuters

By Kenneth Gooding,

Mining Correspondent

After much heart searching

and consultation the Bank of

England has given a tantalis-

ing glimpse behind the tradi-

tional veils of secrecy sur-

rounding statistics about the

Mr Terry Smeeton, head of

the bank's foreign exchange

division, said yesterday that,

when measured by the bank

some 18 months ago, turnover

in London alone amounted to a

daily total of 7.5m troy ounces

equivalent to US\$3bn each

Although this might seem a

through the 14 market makers

sumers, environmentalists, producers and traders will meet here from November 29 to December 1 to review and update scientific data on the safety of meat hormones.

"It's not a question of taking rom Brussels. or preparing any kind of politi-Some 80 scientists and 170 cal decisions," Mr Fischler told

over figure had ever been

Mr Smeeton pointed out that

"The confidentiality of trans-

actions is important in all mar-

kets but none more so than gold." Nevertheless, "after a great deal of reflection and dis-

cussion with others in the mar-

ket, I have concluded that this

need for confidentiality does

not extend to aggregated statis-tics which can be used to illus-

trate the size and depth of the

his assertion that London was

probably the biggest gold mar-

ket in the world. He stressed that the \$3bn referred only to

spot and forward business

He used the figures to justify

London Market".

gold is necessarily a secretive

He noted that new hormones

Analysts said it could be a

makers and did not include the

non-market-making members of the London Bullion Market

Association or the very

significant amount of over-

the counter business conducted

outside of London but settled

on London market on a loco

Even so, the London market

makers' turnover alone was 50

per cent above the New York

Commodity Exchange turnover

Mr Smeeton was speaking at

the City of London Banking

Conference where he suggested

that the capacity of the London

gold market to absorb business

provided one explanation of

why the increased participa-tion of central banks in

the market had had only a

at that time.

before deciding whether to take the dispute to the World

#### Bank breaks silence on gold turnover Opec, he said. don gold market official turn- undertaken by the 14 market modest impact on the spot He said that the bank

lion houses in London had more than doubled in the past 18 months and that swaps activity had risen by at least half. But the central banks were not increasing the time for which their gold was invested. Very few were willing to put gold into the market for 12 months and half was invested for no more than

central banks with leading bul-

three months. "This means, given the long maturity of some of the forward sales programmes, that there is a considerable maturity mismatch in the market and this itself is a source of

SOFTS

## Scots call for potato quarantine

previous 1995 high.

terday that lead stocks in its

warehouses had fallen by

another 4,450 tonnes to 177,375

tonnes - their lowest since

1992 - lead for delivery in

three months closed at \$737 a

tonne, up \$29.50, having con-

clusively pushed past \$713, the

LIME WAREHOUSE STOCKS

ing then".

By Alison Maitland

Scottish seed potato producers vesterday called for quarantine to be reintroduced to protect them from a severe outbreak of brown rot disease in the Netherlands.

The disease, which rots the tuber and leaves the soil uncultivable for at least five years, has been confirmed on 44 Dutch farms. The Dutch seed potato trade federation maintained vesterday that the problem had been isolated but was expected to cost growers Fi 17.5m (£7.1m).

The Scottish call came despite measures agreed by European Union member states on Monday night to tighten up Dutch controls and allow importing countries to take tougher action to protect

The British government is expected within the next few days to require all imports of Dutch seed potatoes to be offi-

MEAT AND LIVESTOCK

cially notified. Eight EU members have already introduced special tests on Dutch imports. Mr John Bethell, chief executive of the Scottish Seed Potato

CROSSWORD

No. 8,925 Set by QUARK

trols were inadequate. "Testing is at best an inexact science," he said. "Importing companies and countries would rather be much surer they're not going to get contamination. The only way to do that is to introduce quaran-

Development Council, a pro-

motional body, said the con-

Scotland produces 400,000 tonnes of seed potatoes a year, compared with Im tonnes in the Netherlands, the world's largest grower. The Scottish industry's 465 growers enjoyed profits of £44m last year.

Mr Bethell said that, until the advent of the single market in 1992, Scotland had "protected region" status requiring that all imported potato plants be screened in quarantine for two growing cycles.

"Brown rot is a nasty thing," said Mr Bethell. "Nobody wants to have it."

However, he pointed out that it would be difficult to revive protected regions, given that harmonisation was the "overriding political consideration in the EU. In the meantime. Monday's agreement was "the

best that can be expected". Under the deal agreed at the European Commission's plant health committee, the Netherlands must destroy or safely dispose of all contaminated potatoes. It must subject potatoes for export from non-infected areas to rigorous tests.

It must provide the commission and member states with regular, detailed information about the extent of the outbreak and has been asked to report by mid-December on the number, variety and destination of all seed potatoes exported to other member states from the 1994 and 1995

#### little out of date, history was being made with this revelation - the first time any Lon-COMMODITIES PRICES

bscribe to the

nancial Times

n The Czech

Republic

# Close Previo Previo AM C Kerb Open Total AM C Kerb Open Total AM C Kerb Open Total AM C Close Frevio Fre Close Provid High/ AM O Kerb Open Total

COMMODITIES PRICES	
. BASE METALS	Precious Metals continued
LONDON METAL EXCHANGE	E GOLD COMEX (100 Troy oz.; \$/troy oz.)
Prices from Amalgomated Metal Trading)	Suft Day's Open price change High law Yel hat
M ALUMHRUM, 99.7 PURITY (\$ per tornel)  Cash 3 mins	Nov 385.0 -1.6 385.5 385.5
Close 1644-45 1880-81	Dec 385.4 -1,7 387.8 385.3 10,709 54,217 Pab 386.9 -1,8 389.7 386.7 4,845 31,888
Previous 1642-43 1880-80.5	Apr 389.1 -1.7 391.6 389.1 159 8,500 Jun 391.5 -2.1 393.8 391.9 252 18,507
AM Official 1643.5-44.0 1679-80	Aug 383.8 -2.1 503 3,615
Kerb close 1683-84 Open int. 221,291	Think 18,196 158,946 # PLATINUM NYMEX (50 Troy oz.; \$/zoy oz.)
Total daily turnover 38,190	das 415.3 -1.7 418.5 415.1 954 18.433
E ALUMENIUM ALLOY (\$ por torme)	Apr 415.4 -1.3 418.0 415.5 159 2,827
Close 1385-95 1425-30 Presence 1355-65 1395-405	Jul 416.1 –1.2 – – 4 1,563 Det 416.8 –1.2 – – 62 689
HighTow 1393 1435/1425	Jan 417.8 -1.0 1 5 Total 1.198 21.417
, AM Official 1393-95 1430-32 Kerb close 1430-40	Total 1,199 21,417  E PALLADRUM NYMEX (100 Troy oz.; S/troy oz.)
Open Int. 3,769	Dec 134,90 -1,15 136,75 133,75 373 3,323
Total dolly tumover 1,344	Mar 135.50 -1.25 137.50 134.50 204 3,409
747.19	Jun 138.501.35 67 193 Total 644 6,925
Provious 728-30 707-8	SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)
High/low 737/798 722/708 AM Official 736-7 716-7	Nov 527.2 -5.8 80 95
Kerb clase 719-20	Jan 529.1 -6.2 1 33
Open int 31,733 Total daily tumover 7,740	May 535.1 -6.2 544.0 534.5 4,370 28,598 May 539.3 -8.1 545.6 539.0 24 8,780
16 NICKEL (\$ per tonne)	34 543.5 -8.0 550.0 545.0 50 6,235
Close 8470-80 8590-95	Tetal: 11,559 101,655
Provious 8475-85 8585-600 High/low 8465/8450 8670/8560	
AM Official 8460-61 8595-600	
Kerb close Open int. 42,691	ENERGY
Total daily turnover 11,136	III CRUDE OIL NYMEX (42,000 US galls, \$/berrel)
E TRI (\$ per tonne)	Sent Day's Open
Grand 6385-95 6415-25	price change High Low Vol. let he 17.94 -0.12 18.06 17.87 28.842109.243
High/low 8450/6430	Feb 17.74 -0.09 17.88 17.88 13,569 40,423
Kerb close 5450-70	Mer 17.59 -0.08 17.52 17.58 10.117 28,274 Apr 17.44 -0.08 17.47 17.40 4,832 13,032
Open int. 17,084 Total daily turnover 5,851	May 17.36 -0.05 17.36 17.31 2.059 9.581
E ZINC, special high grade (5 per tonne)	Jen 17:25 -0.11 17:20 17:23 1,842 18,701 Total 73,165 327,526
Close 1005.5-8.5 1060-60.5	CRUDE Oil IPE (S/barrel)
Previous 1033-34 1057-36	Sett Day's Open price change High Low Vol lot
AM Official 1032-33 1056.5-57.0	
Pharb close Open int. 84.354	Feb 18.53 -0.08 16.50 16.49 4.321 21,446
Total daily turnover 12,577	Mar 18.35 -0.08 16.42 16.32 1,018 15,400 Apr 18.25 -0.03 18.23 18.24 200 8,224
E COPPER, grade A (5 per tonne)	16.18 - 16.16 16.13 222 2,455
Close 2768-9	June 16.01 -0.08 16.06 16.07 60 6,145 Tuthi 23,243,144,729
High/tow 2983/2981 2768/2/53	HEATING OIL NYMEX (42,000 US galle.; C/US galls.)
Karb chros	Sect. Day's Open orice change High Law Vol. Art
Open ini. 174,500	grice change High Love Vol let Dec 52.30 -0.43 52.98 52.05 12,193 26,876
Total daily turnover 50,450  18 LME AM Official 6/5 rate: 1.5527	Jan 52:50 -0.34 53.10 52:20 11,488 46,883
LME Closing C/3 (att. 1300)	Feb 52.05 -0.18 52.30 51.80 2,308 25,984 Mar 50.65 -0.09 50.80 50.50 1.507 10,504
Spot. 1 5585 3 miles: 1 554 6 miles: 1 5512 8 miles: 1.5476	Apr. 48.95 +0.01 48.95 48.50 457 5,051
I HIGH GRADE COPPER (COMES)	May 47.65 -0.40 47.65 47.60 78 4,043 Total 28,753 143,554
D)45	III GAS OIL FÉ (SIDINE)
Sett Day's High Low Vol Lat	Sett Der's Open
New 138 30 -1.00 139 30 138 00 575 1,125	price change High Low Yes had had
131 /3 1/40 1/28.55 1/28.50 185 1/28.2	len 155.50 -0.75 157.75 155.50 5,467 24,247
5.0	Reb 154.75 -0.75 155.75 154.50 1,159 7,422
Mar 1,25 10 +0.21 122 50 71 100 300	and 151.50 -0.50 152.00 151.50 700 2,255
Apr 121.66 +1 65 7,151 39,345	Many 150.00 -0.25 37 1,126
	Tights 12,467 Takes 12,467 Take
PRECIOUS METALS	M NATURAL GAS NYMEX (10,000 mm8th; Shim8th)
an a name and a serious MASSICE!	price change High Low Yel int
(Prices supplied by N to House Security SFr equity	2150 -0.007 2.190 2.086 49,090 19,006
Gold(Troy or) \$ pinch 2 square Close 386.30-386.70	1913 -0.029 1.950 1.885 4.261 18,884

537.50 543.75 549.60 561.60

S pnce

ious D COM			-		d _	GR/	VINS EAT LCE				EDS	 }
Set	Day's				Open		Sett	(lay's		Low	Yol	Opea ist
385.0	<b>change</b> -1,6	385.5	385.6	¥ei _	<b>.</b>	Nov	127.50		25gsts 127.00		<sub>1</sub>	50
385.4	-1.7	387.8			54,217	Jan Mar	128,60 130,60		128.65		105 111	2,222 2,467
386.9 389.1	-1.8 -1.7	389.7 391.6	386.7 389.1		31,888 8,500	Hay	132.65				37	2,947
391.5	-21	393.8	391.9		18,507 3,615	Jeř Sep	134,55 115,40		134.70		4 10	221 49
393.6	-21	-	_		158,946	Total	112.40	T-00	11330	11.200	302	8,952
	NYMEX	(50 Tr	oy oz.; :	yeay c	<u> </u>	■ WH	EAT CB	(5,000	ibu min	: cents	501b b	shelj_
415.3	-1.7		415.1		16,433	Dec	495.00					
415.4 418.1	-1.3 -1.2	418.0	415.5 -	159	2,827 1,563	Mar May	460,50 453,50					4,629
416.8	-1.2	-	-	12	689 5	Jel	408.50 411.50		413.00			19,302 2,973
417.B	-1.0	-	_	1 1,198	21,417	Sap Dec	420.00				90	969
LADIUN	NYME	X (100	Troy oz	.; \$/tro	y oz.)	Tetzi					17,508	
	-1,15				3,323		225 CBT	_			_	
135.50 136.50	-1.25 -1.35	137.50		204 67	3,409 193	Dec Mas	330.25	-2.75	332,75	330.00	28,146	255,999
				644	•	May	331.75				3,438 5,044	
ER CO		000 Tr	y oz.; (			Jidi Sep	292.25	-0.75	233.25	292.00	735	9,758
527.2 527.5	-5.8 -6.2	536.0	526.5	60 6.671	95 42,523	Dec Total	279.25	-	290.00	278.00	2,882 82,806	
529.1	-62	_	-	1	33		ELEY LC	E (£ pe	r tonne	•		
535.1 539.3	-6.2 -6.1		534.5 539.0		26,598 8,780	Nov	117.50	+0.50	_			45
543.5	-6.0	550.0	545.0		6,235	Jan Mer	119.70 121.50		- 191 75	121 75	- 5	901 752
				11,200	101,655	May	123,70		-	-	-	237
						Sep Nov	112,25 113,00	-	Ξ	Ξ	_	1 5
						Total					5	1,945
RGY						<b>■ \$0</b> *	ABEAN	S CBT (	,00000	cuin; cen	P(\$000) p	nspier)
		K (42,0	20 US <u>s</u>	paller, S.	рептей)	, 1000 1000 1000	678.25 686.25					
Sett	Day's				Ореж	May	680.75	-1.75	694.DC	687.75	1,895	12,672
	change		12.07	<b>Vol.</b>	j <u>et</u> 100 243	.)d. /cog	602.75 688.00	-0.25 -1.50	695.75 692.25	689.50 687.00	4,000 27	78,137 991
17.94 17.74	-0.12 -0.09	18.00 17.60	17.68	13,568	109,243 40,423	Sep	673.50					1,425
17.59	-0.08 -0.09	17.52 17.47			28,274 13,032	Total	/ABEAN	OEL C	RT (BOLO	100lbs:	38,671 1 cente/fb	•
17.36	-0.05	17,36	17.31	2,059	9,581	Dec		_	25.82			21,025
17.25	-0.11	17.30			18,701 327,526	Jea	25.33	-0.06 -0.03	25.50	25	7,983 4,850	29,667
DE OL	PE (S/	barrea	_			Her Hay	25.66 25.98	-0.01	28.10	25.90	1,802	8,612
Sett	Day's				Open	Jel Jenn	26.15 26.24	-0.01	26.27 26.30	26.06 25.20	1,820 278	
•	-0.08	18,84	10 CE	<b>Val</b> 12 067	보 82,849	Total	_				<b>23,27</b> 5	94,553
16.53	-0.08	16.60	16.49	4.321	21,446	E 50	YABEAN					
18.35 16.25	-0.08 -0.03	16.42 16.23	16.32 16.24		15,400 8,224	Dec Jaco	208.2 208.9	-08 -08	209.4 211.0		9,123 9,397	
16.18	-	16.16	15.13	222	2,455	Mar	212.2	-0.7	213.2	211,0	4,716	25,103
16.01	-0.98	16.06	16.01		6,149 144,729	Hay jel	211.9 272.8	-0.8 -0.7	212.8 213.5	210.B 211.3		7,571 9,237
TING O	OL NIME	X (42.00	10 US gad	h; ous	gells.)	Ang	211.3	-1,7	211.9	211.0		1,080
Set	Day's				Open	Tetal	ATOES	LCE ®	Norme)		<b>25,154 1</b>	44,561
price	change -0.43	High	E2 05	19 105	献 20.576		270.0					<del>-</del> -
52.50	-0.34	53.10	52.20	11,485	46,663	<i>far</i>	247.5		255 Ô	245.0	125	1,209
57.05	-0.19 -0.09	52.30	51.80	2,309	25,964	May Jun	305.0 325.0	Ξ	_	Ξ	-	- -
48.95	+0.01	48.95	48.50	457	5,051	Total					125	1,217
47.65	-0.40	47.E5	47.50		4,043 1 <b>43,55</b> 4	P FRE	SOHT (B		_			
~ 5	S/bnee					Nov Dec	1735 1575	-25 -50	1750 1601	1730 1560	84 31	600 235
Sett	Day's	<u>-</u>			Open	Jan .	1520	-30	1530	1500	117	1,217
price	photogr	Migh	Low	***		Apr Jul	1500 1343	-20 -7	1505 1350	1476 1325	130 33	1,287 458
157.25	-1.25	158.75	155,75	9,801 5 447	23,819 24,367	Oct	1435	-75	1440	1440	1	64
156.50 154.75	-0.75 -0.75	155.75	154.50	1,159	7,A22	Total	Ciese	Prev			376	3,995
153.25	-0.50	153.75	152.75	406		BFI		1753				
151.50	-0.50 -0.25	152,00	-	700 37	1,126							
				18,406	73,447							
URAL C	AS IM	EX (10,	000 mad	itu; Elm	mêtir.)		ES DAT					
Sett	Day's	<b>9</b>	1	-	Open int	All futu	ras data	suppli	ig by C	MS.		
buce.	charge	2 100	2 nas	₩ 48.090	19,006							
2.150												

| Day's | Charge | Ch

E COCOA LCE (Extorne) 913 1,072 10,522 952 3,010 35,419 970 628 14,942 989 358 5,867 1008 254 26,502 933 968 984 1002

	1010	-16	1021	1008	75.4	26,502	Ang	61 675	-0 225	R1 R00	61.475	273	23
Sap Dec	1021	-16				8,401	Dest.				62.450		2.2
Total						117,649	Total					15,991	73,5
	COA CSC	<b>€</b> (10 t	DITITIES;	\$/100006	<b>(8</b> )		E LIV	E HOGS	CME (	40,000B	be; cern	s/fbs)	
Dec	1351	-14			_	1,818	Dec	44,025		44 150	43.450	2 082	8.2
	1359	-12				43,231	Feb				46.300		
May	1378	-14				10,715	Apr	47,550				728	
Jaj	1397	-14				3,545	<u> </u>				52.150	201	3.9
Sep	1420	-14	1428			9,419	Jed			52.850		80	2,75
Dec	1445	-16	1445	1445		7,125	leg .	51,800	+0.200	51.650	51.350	123	1,10
Total					4,876	77,129	Total					6,761	
<u> </u>	COA (CC	O) (SD	R'e/ton	ne)			■ PO	K BELL	JES CI	Æ (40.)	)OOBs	Cents/ii	bs)
Nov 21	)		Pric	•	· Pres	. day	Feb				54.450		5,19
Daily _			977.3	3	9	75.36	<b>Mar</b>	54.900				53	ול
							Hay				55.850	20	40
# CO	FFEE LCE	(\$/ton	ne)					54,800			57.175 54.75h	4	50 13
Mor .	2443	-9	2440	2420	120	1.258	Aug Total	34.000	-1.700	30.000	J4.130	1,289	
<b>, 1886</b>	221B	-29	2240	2210		15,112	1000						-
Na.	2133	-22			761								
May	2057	-25			179		10		-	4 D.	_ ^	DT/	
<u> </u>	2000	-20		1990 1955	111 11			<b>IDON</b>					
Sep Total	1957	-78	196D	1933		29,772	Strike	price \$	tonne	C	والو	P1	uts
	FFEE C'		97 600		-	-	<b>■</b> ALI						
	_						(99.7%	) LME		Dec	Feb	Dec	Fet
Dec	116.50	-1,30	118.25	115.70	2,065	2,386	1600			_ 63	112	6	31
Mar				113.10 111,00			1700			9	57	52	76
Hay Jei				110.00							25	142	141
Sap				110.75			E CO			_			
Dec	109.00	-1.05	111.00	109.50	_	247		A) LME				Dec	Feb
Total				1	10,803	22,013	2800			. 109	76 42	12 47	112 177
	FFEE (ICC	1) (US c	ents/po	ound)			3000 -			12	44	114	
Nov 17			Price		Pier	rian.		FEE LC		Jan	Mar	Jan	Ma
						19.18						4	53
15 day	dally aserage		_ 120.65	5		20.86	1957			275	251	7	88
							2000			231	219	13	86
■ No	7 PREMEU	M RAY	y sug/	ar lce	Cent	s/lbs)		DOA LCE		Mar	May	Mar	Man
	13.25	-					875			90	113	2	6
Her	10.90	_	_	_	_	-	900			. 72	95	3	10
May		-0.06	_	-	-	-					79	6	15
	10.79	-	_	-	-	-		NT CRU			Jan	Dec	Jen
Total					-	-					117	3 9	15
- 41	ILE STON	K LLLE	(SAECIA	16)							78 43	23	23 45
	352.9	+0.7	354,6	346.5	4 000	44 007	1000 -						10
				04500									
iiiy	343.5	+1.7	344.5	339.8	998	5,684	LON	DON	SP	OT 1	AAD	KET	2
وما	333.8	+1.7	344.5 335.0	339.8 328.6	996 458	5,684 3,767		DON	_				
Aug Oct	333.8 303.8	+1.7 +1.1 +2.1	344.5 335.0 304.4	339.5 328.6 302.0	996 458 333	5,684 3,767 2,873		DON DE OIL	_				S +or-
وما	333.8	+1.7	344.5 335.0 304.4	339.8 328.6 302.0 294.5	996 458	5,684 3,767			_	er bam \$15	ekJan) i.58-5.6	Dw -4	
Aag Oct Dec	333.8 303.8 294.3	+1.7 +1.1 +2.1 +2.1	344.5 335.0 304.4 295.0	338.8 328.6 302.0 294.5	996 458 333 65 44	5,684 3,767 2,873 1,488	Dubei Brent E	IDE OIL	FOB (p	915 \$15	el/Jan) i.56-5.6 8.62-6.0	Ow -{	195 1150
Aeg Oct Dec Rier Yotal	333.8 303.8 294.3	+1.7 +1.1 +2.1 +2.1 +2.3	344.5 335.0 304.4 295.0	339.8 328.6 302.0 294.5 285.8	998 458 333 85 44 2,887	5,684 3,767 2,873 1,488 279 28,963	Dubei Brent E Brent E	IDE OIL Bend (da Bend (Ja	FOB (p	\$15 \$15 \$1	el/Jan) i.56-5.6 6.62-6.6 6.70-6.7	Ow -( 36 -( 71 -(	2.195 2.150 2.115
Aug Oct Dec Mar Yotal W SU	333.8 303.8 294.3 293.0 GAR '11' (	+1.7 +1.1 +2.1 +2.1 +2.3 >SCE (	344.5 395.0 304.4 296.0 -	339.8 328.6 302.0 294.5 285.8	998 458 333 85 44 2,887 nts/fbs	5,684 3,767 2,873 1,488 279 28,963	Dubei Brent E Brent E W.T.I. (	IDE OIL Bend (da Bend (Ja 1pm est)	FOB (p. teci) n)	\$15 \$15 \$16 \$16 \$17	6,62-6.6 6,62-6.6 6,70-6.7 92-7.6	Ow -6 36 -6 71 -6	+0r- 0.195 0.150 0.116 0.110
Aug Oct Dec Mar Yotal Mar SU	333.8 303.8 294.3 293.0 GAR '11' (	+1.7 +1.1 +2.1 +2.1 +2.3 *SCE (*	344.5 395.0 304.4 295.0 - 112,000	339.8 328.6 302.0 294.5 285.8 708; car	996 458 333 85 44 2,887 115/855	5,684 3,767 2,873 1,488 279 25,963	Dubei Brent E Brent E W.T.I. (	IDE OIL Bend (da Bend (Ja	FOB (p. teci) n)	\$15 \$15 \$16 \$16 \$17	6,62-6.6 6,62-6.6 6,70-6.7 92-7.6	Ow -6 36 -6 71 -6	+0r- 0.195 0.150 0.116 0.110
Aug Oct Dec Mar Yotal W SU	333.8 303.8 294.3 293.0 303.9 10.79 20.58 10.17	+1.7 +1.1 +2.1 +2.1 +2.3 >SCE (**)	344.5 395.0 304.4 295.0 112,000 10.97 10.79 10.38	339.8 328.6 302.0 294.5 285.8 708; car	996 458 333 65 44 2,867 nts/fac 4,417 1,122	5,684 3,767 2,873 1,488 279 28,963	Dubei Brent E Brent E W.T.I. ( E OIL	HOE OIL Hend (da Hend (Jo 1pm est) PRODUM	FOB (p ted) n) CTS NA	\$15 \$16 \$16 \$17 \$17 VEprom	6.56-5.6 6.62-6.6 6.70-6.7 92-7.9 pt delive	Ow -0 36 -0 71 -0 4w -0 sty CRF (	2.195 2.150 2.116 2.110
Aug Oct Dec Mar Yotal W SU Mar Mar	333.8 303.8 294.3 293.0 303.9 10.79 20.58 10.17	+1.7 +1.1 +2.1 +2.1 +2.3 *SCE (**	344.5 395.0 304.4 295.0 112,000 10.97 10.79 10.38	339.8 328.6 302.0 294.5 285.6 10.77 10.59 10.16 10.05	996 458 333 65 44 2,867 mts/fbs 4,417 1,122 752 627	5,684 3,767 2,873 1,488 279 28,963 3) 78,716 21,422 14,218 15,909	Dubei Brent E Brent E W.T.I. ( R OIL Premius Ges Oi	Blend (da Bend (Jo 1pm est) PRODUM	FOB (p	\$75 \$16 \$17 \$17 VEprom	6,62-6.6 6,62-6.6 6,70-6.7 92-7.6	Ow -6 36 -6 71 -6 4w -6 sry CIF (	+0r- 0.195 0.150 0.116 0.110
Acg Oct Doc Mar Yotal W SU- Mar May Mar May Mar Mar Mar Mar Mar Mar Mar Mar Mar Mar	333.8 303.8 294.3 293.0 10.79 20.50 10.17 10.05 9.95	+1.7 +1.1 +2.1 +2.1 +2.3 **SCE (** -0.10 -0.14 -0.16 -0.17 -0.15	344.5 335.0 304.4 295.0 112,000 10.97 72.79 10.38 10.26 10.12	339.8 329.6 302.0 294.5 285.8 10.77 10.59 10.16 10.05 9.95	996 498 333 65 44 2,867 11,122 792 627 127	5,884 3,767 2,873 1,488 279 28,963 6 76,716 21,422 14,218 15,909 9,852	Dubei Brent E Brent E W.T.I. ( R OIL Premius Ges Oi	Blend (da Bend (Jo 1pm est) PRODUM	FOB (p	\$15 \$16 \$16 \$17 \$17 VE prom	el/Jan) 1,56-5,6 8,62-6,6 8,70-6,7 92-7,9 pt delive 187-186	Ow -6 36 -6 71 -6 4w -6 ary CRF (	+or- 2.195 1.150 1.116 1.110 2010e
Aug Get Doc River Total Mary Mary Mary Mary Mary Mary	333.8 303.8 294.3 293.0 10.79 20.50 10.17 10.05 9.95	+1.7 +1.1 +2.1 +2.1 +2.3 >SCE (** -0.10 -0.14 -0.16 -0.17	344.5 335.0 304.4 295.0 112,000 10.97 72.79 10.38 10.26 10.12	339.8 329.6 302.0 204.5 205.8 10.77 10.59 10.16 10.05 9.95 9.85	996 498 333 65 44 2,867 1,122 752 627 127 21	5,684 3,767 2,873 1,488 279 28,963 8 78,716 21,422 14,218 15,909 9,652 1,168	Diction Brent E Brent E Brent E W.T.I. ( R. OTL. Premius Gas Of Heavy	Blend (da Blend (Ja Ipm est) PRODUM n Gasoli Fuel Oil	POB (p ied) n) CTS NA	\$15 \$1 \$1 \$1 \$17 VE prom	6/Jan) 1.56-5.6 6.62-6.6 6.70-6.7 1.92-7.9 pr delive 167-186 161-16	Ow -6 36 -6 71 -6 4w -6 9ry CIF (	+or- 2.195 1.150 1.116 2.110 conne -2.5 -1 +1
Aug Oct Doc Riter Total W SU: Mar May Jul Oct Hiter Hay Total	333.8 303.8 294.3 293.0 10.79 20.59 10.17 10.05 9.95 9.66	+1.7 +1.1 +2.1 +2.1 +2.3 **SCE (** -0.10 -0.14 -0.16 -0.17 -0.15 -0.13	344.5 335.0 304.4 295.0 112,000 10.97 10.39 10.26 10.12 10.04	339.8 328.6 302.0 294.5 285.6 10.77 10.59 10.16 10.05 9.95 9.85	998 498 333 65 44 2,867 1,122 792 627 127 21 7,417	5,884 3,767 2,873 1,488 279 28,963 6 76,716 21,422 14,218 15,909 9,852	Dubei Brent E Brent E W.T.I. ( F OTL Premiu Gas Of Heavy Naphth Jet fuel	Blend (da Blend (Ja Ipm est) PRODUM n Gasoli Fuel Oil	POB (p ied) n) CTS NA	\$75 \$1: \$1: \$17 VE prom \$ \$	akkan) i.56-5.68 8.62-6.6 8.70-6.7 92-7.9 pt delive 167-186 161-162 \$88-89 150-151 180-182	Ow -6 36 -6 71 -6 4w -6 sry CIF (	2.195 1.150 1.116 1.110 2010e -2.5 -1 +1 +0.5 -2
Aug Oct Doc Riter Total W SU: Mar May Jul Oct Hiter Hay Total	333.8 303.8 294.3 293.0 10.79 20.50 10.17 10.05 9.95	+1.7 +1.1 +2.1 +2.1 +2.3 **SCE (** -0.10 -0.14 -0.16 -0.17 -0.15 -0.13	344.5 335.0 304.4 295.0 112,000 10.97 10.39 10.26 10.12 10.04	339.8 328.6 302.0 294.5 285.6 10.77 10.59 10.16 10.05 9.95 9.85	998 498 333 65 44 2,867 1,122 792 627 127 21 7,417	5,684 3,767 2,873 1,488 279 28,963 8 78,716 21,422 14,218 15,909 9,652 1,168	Dubei Brent E Brent E W.T.I. ( E Off.  Premiur Gas Of Heavy Naphth Jet fuel Diesel	idend (de Send (Ja Tpm est) PRODUM m Gasoli Fuel Oil	POB (prised) n) CTS NA	\$15 \$16 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17	aklan) i.56-5.6 8.62-6.6 8.70-6.7 92-7.9 pt define 187-186 181-162 \$88-89 150-151 180-182 164-165	Ow -6 36 -6 71 -6 4w -6 9ry CIF (	+or- 2.195 1.150 1.116 2.110 conne -2.5 -1 +1
Aug Oct Doc Riter Total W SU: Mar May Jul Oct Hiter Hay Total	333.8 303.8 294.3 295.8 305.8 10.79 20.59 10.17 10.16 9.95 9.66	+1.7 +1.1 +2.1 +2.1 +2.3 **SCE (** -0.10 -0.14 -0.16 -0.17 -0.15 -0.13 **E (50.0)	344.5 335.0 304.4 295.0 10.12,000 10.17 10.26 10.12 10.04	339.8 328.6 302.0 294.5 285.6 10.77 10.59 10.16 10.05 9.95 9.85	998 458 333 65 44 2,987 11,722 792 827 127 21 7,417	5,684 3,767 2,673 1,488 279 28,963 6 78,716 21,422 14,218 15,909 9,852 1,168 (41,641	Dubei Brent E Brent E W.T.I. ( COLL Premiur Gas Of Heavy Naphth Jet the Diesel	HOE OIL Hend (da Hend (John Tenn est) PRODUM TIGASON Fuel Oil Argus.	POB (prised) n) CTS NA	\$15 \$16 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17	aklan) i.56-5.6 8.62-6.6 8.70-6.7 92-7.9 pt define 187-186 181-162 \$88-89 150-151 180-182 164-165	Ow -6 36 -6 71 -6 4w -6 9ry CIF (	2.195 1.150 1.116 1.110 2010e -2.5 -1 +1 +0.5 -2
Aug Oct Doc Mar Total Mary May Total Doc Mar	333.8 302.8 294.3 295.0 10.79 10.79 10.17 10.05 9.96 TTON NYC 86.43 86.30	+1.7 +1.1 +2.1 +2.3 **SCE (** -0.10 -0.14 -0.15 -0.13 ** ** ** ** ** ** ** ** ** ** ** ** **	344.5 335.0 304.4 295.0 112,000 10.97 10.38 10.26 10.12 10.04	339.8 328.6 302.0 294.5 265.8 10.77 10.98 10.18 10.95 9.95 9.85 cents/fi	998 458 333 65 44 2,987 1,122 752 827 21 7,117 59 2,818	5,684 3,767 2,673 1,488 279 28,963 6 78,716 21,422 14,218 15,909 9,852 1,168 (41,641	Dubei Brent E Brent E W.T.I. ( COLL Premius Gas Oi Heavy Naphth Jet fuel Petrolus	HOE OIL Hend (da Hend (John Tenn est) PRODUM TIGASON Fuel Oil Argus.	POB (prised) n) CTS NA	\$15 \$16 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17	aklan) i.56-5.6 8.62-6.6 8.70-6.7 92-7.9 pt define 187-186 181-162 \$88-89 150-151 180-182 164-165	Ow -6 36 -6 71 -6 4w -6 9ry CIF (	2.195 1.150 1.116 1.110 2010e -2.5 -1 +1 +0.5 -2
Aug Get Dec Star Yetal W SU May Jul Cet Star May Total Get Star May Total Get Star May Total Get Star May Total Get Star May Total Get Star May Total May May May May May May May May May May	333.8 303.8 294.3 293.0 293.0 10.77 10.05 10.17 10.05 9.86 1TON NY( 86.43 86.43 86.25	+1.7 +1.1 +2.1 +2.3 +2.3 -0.10 -0.16 -0.17 -0.16 -0.13 +0.05 +0.05 +0.07 +0.05	344.5 395.0 396.0 296.0 - 11.2,000 10.17 10.26 10.12 10.04 000fbs; 87.20 86.90	339.5 322.6 302.0 284.5 285.8 10.77 10.58 10.18 10.05 9.95 9.85 cents/fi 85.70 85.25	998 458 333 85 44 2,867 4,417 1,122 752 827 127 2,818 4,349 331	5,584 3,767 2,573 1,488 279 28,963 6 78,716 21,422 14,218 15,909 9,582 1,188 (41,641 6,559 22,755 8,720	Dubei Brent E Brent E Brent E Brent E Brent E W.T.I. ( R OIL Premiur Gas Oi Heavy Naprth Jet fuel Diesel Petrolus E OTH	RDE OIL Stend (da Stend (Jan 11pm est) PRODUM TI Gasoli Fuel Oil a	FOB (plant)  CTS NA	\$7.5 \$16 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17	al/Jan) i.55-5.6 8.62-6.6 8.70-8.7 92-7-9 cr delive 187-186 161-165 \$88-89 150-151 180-185 17) 359 8	Ow -4 36 -4 71 -4 4w -6 2 2 1 2	+or- 2.195 1.150 1.115 1.110 2010e -2.5 -1 +1 +0.5 -2 -1
Aug Oct Dec Ritur Yotul W SU <sup>3</sup> May Jul Oct May Yotur Way Jul Oct May Totur Dec Mar Jul	333.8 302.8 294.3 295.0 295.0 10.17 10.05 9.95 10.17 10.05 9.95 10.17 10.05 9.95 10.17 10.05 9.95 20.58 20.58 20.58	+1.7 +1.1 +2.1 +2.3 **SCE (** -0.16 -0.16 -0.17 -0.16 -0.13 ** ** ** ** ** ** ** ** ** ** ** ** **	344.5 335.0 304.4 295.0 10.97 10.97 10.38 10.26 10.12 10.04 000005s; 87.20 86.80 86.80 86.40	339.5 322.6 302.0 284.5 285.8 10.77 10.59 10.16 10.95 9.95 9.95 cents/fi 85.70 85.40 85.25 84.95	998 498 333 65 447 7,122 752 827 7,117 7,117 2,818 4,349 331 107	5,684 2,873 1,488 279 28,963 6 78,716 21,422 11,218 15,909 5,652 1,168 (41,641 6,559 22,755 8,720 8,553	Dictaria Brent E Brent E Brent E W.T.I. ( B OIL Premiur Gas Oi Heavy Naphth Jet the Diesel Petrolas E OTH Gold (p	Siend (da Siend (Ja Siend (Ja Tipm est) PRODUM m Gasoli Fuel Oil a	FOB (pried) no CTS NV ne	\$7.5 \$1: \$1.7 \$1.7 \$1.7 \$1.7 \$1.7 \$1.7 \$1.7 \$1.7	al/Jan) i.58-5.6 8.62-6.1 8.62-6.1 9.52-7-9 gr delive 187-186 161-162 \$38-89 150-151 164-165 7) 359 8	Ow -4 36 -4 71 -4 4w -6 9 2 1 1 1 1 1 1 1 1 1 1 1 1 1	2.195 1.150 1.116 1.110 2010e -2.5 -1 +1 +0.5 -2
Ang Got Dec Riter Total SU- Mar SU- Mar May Total May Total Riter May Total CO Mar Riter May Jol CO Mar Riter May Jol CO	333.8 303.8 294.3 293.0 333.0 10.79 10.17 10.05 9.95 9.96 17TON NY( 86.43 86.30 96.25 85.30 86.30 86.30 86.30 86.30 86.30	+1.7 +1.1 +2.1 +2.3 **SCE (** -0.10 -0.14 -0.16 -0.17 -0.16 -0.13 **C.50	344.5 334.0 304.4 295.0 - 112,000 10.19 10.26 10.12 10.04 000fbs; 87.20 87.20 86.80 86.40 80.10	339.8 302.0 204.5 205.8 10.77 10.59 10.16 10.05 9.95 9.95 85.70 85.40 85.40 85.40 85.40 85.40 85.40	998 458 333 55 44 2,867 1,122 21 7,117 2,816 4,349 2,816 107 25	5,884 3,767 2,873 1,488 278 28,963 8 78,716 21,422 14,218 15,909 9,552 1,168 (41,641 6,559 22,755 8,750 1,434	Duber Brent E Brent E Brent E Brent E W.T.I. (F. Off.) Premius Gas Of Heavy I blessel Petrolass E OTH Gold (p. Silver 6)	Blend (da Bend (Jan Ipm est) PRODUN Tr. Gasoli Fuel Oil a In Argus.	FOB (prised)  Total Lone  Total Lone	\$75 \$16 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17	al/Jan) i.55-5.6 8.62-6.6 8.70-8.7 92-7-9 cr delive 187-186 161-165 \$88-89 150-151 180-185 17) 359 8	Ow -6 36 -6 71 -6 4w -6 9ry CIF (	2.195 1.150 1.115 1.110 2.110 2.110 2.110 2.110 40.5 -2 -1
Asig Got Dec River Total, Mary Jul Oct Mary Total Dec Mary Jul Oct Dec Mary Jul Oct Dec Mary Jul Dec Mary Jul Dec Mary Dec Mary Jul Dec Mary Total Mary Total Dec Mary Total Dec Mary Total Dec Mary Total Dec Mary Total Dec Mary Total Dec Mary Total Dec Mary Dec Mary Total Dec Mary Dec Dec Mary Dec Mary Dec Dec Mary Dec Dec Dec Dec Dec Dec Dec Dec Dec Dec	333.8 302.8 294.3 295.0 295.0 10.17 10.05 9.95 10.17 10.05 9.95 10.17 10.05 9.95 10.17 10.05 9.95 20.58 20.58 20.58	+1.7 +1.1 +2.1 +2.3 **SCE (** -0.16 -0.16 -0.17 -0.16 -0.13 ** ** ** ** ** ** ** ** ** ** ** ** **	344.5 335.0 304.4 295.0 10.97 10.97 10.38 10.26 10.12 10.04 000005s; 87.20 86.80 86.80 86.40	339.5 322.6 302.0 284.5 285.8 10.77 10.59 10.16 10.95 9.95 9.95 cents/fi 85.70 85.40 85.25 84.95	996 458 333 55 44 2,887 1,122 752 827 127 127 127 127 127 127 127 127 127 1	5,884 3,787 2,873 1,488 278 28,963 8 78,716 21,422 14,218 15,909 9,552 1,166 (41,641 6,559 22,755 8,720 6,559 21,434 7,554	Duber Brent E Brent E W.T.I. ( BE OIL Premius Gas Oi Heavy Napital Diesel Petrolus E OTH Gold (p Silver () Petrolus	Siend (da Siend (Ja Siend (Ja Tipm est) PRODUM m Gasoli Fuel Oil a	FOB (prised)  And Lone  Fol. (Lone  And Lone	ST barrers ST	si/Jan) i.55-5.6 8.62-6.6 8.70-6.7 92-7.9 pt delive 167-186 161-165 \$38-89 150-151 180-183 164-165 7) 359 8	Ow	11850 11150 1116 1116 1110 1110 1110 1110 1
Ang Oct Star Total SUA	333.8 3024.3 294.3 293.0 305.8 10.175 10.05 9.86 1TON NYC 88.43 86.30 86.30 86.20 77.30	+1.7 +1.1 +2.1 +2.1 +2.2 +2.2 +2.2 +2.3 -0.10 -0.14 -0.15 -0.13 -0.15 -0.13 -0.15 +0.05 +0.07 +0.05 +1.03 +0.02 +0.02 +0.03	344.5 395.0 394.4 295.0 - 112,000 10.197 70.79 10.38 10.26 10.12 10.04 90.06 87.20 87.00 66.90 88.40 80.10 77.30	339.8 302.8 294.5 295.8 10.77 10.18 10.05 9.95 9.85 cents/8 85.70 85.40 85.25 84.97 77.00	996 458 333 55 44 2,887 1,122 7,52 827 127 1,127 127 127 127 127 148 4,349 331 107 25 48 7,893	5,884 3,767 2,873 1,488 278 28,963 3,963 11,218 15,909 9,852 1,186 (41,641 6,559 22,7755 8,720 8,833 1,434 7,755 8,720 8,833 1,434 7,755 8,720 8,833 1,434 7,755 8,720 8,833 1,434 7,755 8,720 8,833 1,434 7,755 8,755	Duber Brent E Brent E W.T.I. ( ROTIL Case Oil Heavy Naphtel Diesel Petrolas E OTH Gold (p Silver () Patladiu Patladiu	Elend (da Blend (Ja Ipm est PRODUM m Gasoli Fuel Oit a m Argus. in Argus. in ER er troy o per troy o in (per tr im (per t	FOB (prised)  And Lone  Fol. (Lone  And Lone	\$75 \$16 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17	skJan) i.56-5.6 8.82-8.8 8.70-8.7 92-7.9 of delive 187-186 180-185 180-185 164-185 7) 359 8	Ow	2.785 1.150 1.115 1.110
Ang Oct Star Total SUA	333.8 303.8 294.3 293.0 333.0 10.79 10.17 10.05 9.95 9.96 17TON NY( 86.43 86.30 96.25 85.30 86.30 86.30 86.30 86.30 86.30	+1.7 +1.1 +2.1 +2.1 +2.2 +2.2 +2.2 +2.3 -0.10 -0.14 -0.15 -0.13 -0.15 -0.13 -0.15 +0.05 +0.07 +0.05 +1.03 +0.02 +0.02 +0.03	344.5 395.0 394.4 295.0 - 112,000 10.197 70.79 10.38 10.26 10.12 10.04 90.06 87.20 87.00 66.90 88.40 80.10 77.30	339.8 302.8 294.5 295.8 10.77 10.18 10.05 9.95 9.85 cents/8 85.70 85.40 85.25 84.97 77.00	996 458 333 55 44 2,887 1,122 7,52 827 127 1,127 127 127 127 127 148 4,349 331 107 25 48 7,893	5,884 3,767 2,873 1,488 278 28,963 3,963 11,218 15,909 9,852 1,186 (41,641 6,559 22,7755 8,720 8,833 1,434 7,755 8,720 8,833 1,434 7,755 8,720 8,833 1,434 7,755 8,720 8,833 1,434 7,755 8,720 8,833 1,434 7,755 8,755	Dicher Brent E	Siend (da Siend (Ja Siend (Ja PRODUM PRODUM Fuel Oil a MARGES MAR	FOB (prised)  Indian  Tel. Lane	\$18 \$11 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17	st.Jan) i.56-5.6 8.82-6.6 8.70-8.7 .92-7.9 or delive 187-186 161-160 \$88-89 150-151 164-165 7) 359 8 388.50 535.0c 6415.00 i134.30	Ow	2.785 1.150 1.115 1.110
Ang Oct Star Total SUA	333.8 3024.3 294.3 293.0 305.8 10.175 10.05 9.86 1TON NYC 88.43 86.30 86.30 86.20 77.30	+1.7 +2.1 +2.1 +2.2 +2.2 +2.2 +2.2 -0.16 -0.17 -0.16 -0.17 +0.05 +0.05 +0.05 +1.10 +0.32 +0.26 +0.32 +0.32 +0.33 +0.32 +0.33 +	3445 3350 3044 2950 - 112,000 10,38 10,03	339.8 329.8 329.0 329.0 2294.5 2255.8 10.77 10.59 10.18 10.05 9.55 22 58.25 84.95 79.70 0000 bs; 123.90	996 458 333 55 44 2,897 7,122 752 21 7,117 25 43,49 331 107 25 48 7,893 7,893	5,684 3,767 2,873 1,488 278 28,963 3,78,716 21,422 14,218 15,909 9,852 1,168 (41,641 6,559 22,755 8,720 8,553 1,434 7,554 54,675 ////////////////////////////////////	Dicher Brent E Brent E Brent E W.T.I. ( III Off. Premius Gas Oi Heavy Naprhi Jet fuel Diesel Potrolas III Off. Cott Patricus Cott Patricus Patricus Copper Lead ( Cott	Elend (da Blend (Ja Ipm est PRODUM m Gasoli Fuel Oit a m Argus. in Argus. in ER er troy o per troy o in (per tr im (per t	FOB (principle)	\$18 \$1.5 \$1.5 \$1.5 \$1.5 \$1.5 \$1.5 \$1.5 \$1.5	al.Jan) i.56-5.6 8.62-6.6 8.70-8.7 92-7.9 pt delive 167-186 161-165 \$88-89 150-151 164-165 7) 359 8 388-50 535-0- 415-0- 134-30	Ow -6 36 -0 71 -0 4w -6 9ry CaF (	2.1850 1.150 1.116 1.116 1.110 2.5 -1 +1 +0.5 -2 -1 0.10 0.55 0.55
Ang Oct Dec Silver (1984) SUI Mary Total CO Dec Co Total CO Dec Co Total CO Dec Co Total CO Dec Co Total CO Co Co Total CO	333.8 302.8 294.3 293.8 293.8 10.77 10.05 9.85 9.86 1TON NY( 86.43 86.30 86.20 77.30 124.15 127.15	+1.7 +1.1 +2.1 +2.1 +2.3 +2.3 +2.3 -0.16 -0.17 -0.18 -0.17 -0.18 +0.05 +0.05 +0.07 +0.02 +0.02 +0.03 +	344.5 335.0 304.4 295.0 112,000 10.97 10.79 10.26 10.12 10.04 10.12 10.04 97.00 85.90 80.10 77.30 CE (15,1	338.8 328.6 382.0 2294.5 285.8 10.77 10.59 10.18 9.35 9.35 285.70 77.00 0000bs; 122.50 0000bs; 122.50 122.5	996 498 333 355 44 2,867 7,752 627 127 752 627 127 7,117 251 107 251 627 7,761 1,761	1,984 2,973 1,482 2,963 8 78,716 11,422 11,422 11,165 15,009 11,165 11,1	Duber Brent E Brent E W.T.I. (  R OIL Premiu Gas Oi Heavy Napitel Diesel Petrolus E OTH Gold (p Silver (p Pulladiu Copper Lend (L Tr (k)	Send (dasend (	FOB (principle)	\$15 \$1: \$1: \$1: \$1: \$1: \$1: \$1: \$1: \$1: \$1:	akJan) i.56-5.6 8.62-6.6 8.70-6.7 92-7.9 pt defined 167-186 167-186 167-186 167-186 164-166 7) 359 8 388.50 535.0c 415.00 125.0c 41.75c	Ow -6 36 -0 71 -0 4w -6 9ry CaF (	2.185 1.150 1.115 2.116 2.5 -1 +1 +0.5 -2 -1 0.10 0.55 0.55
Ang Oct	333.8 3024.3 294.3 295.0 10.79 20.58 10.17 10.05 9.96 1TON NYC 88.43 86.30 86.20 75.20 80.20 70.20 80 80.20 80.20 80.20 80.20 80.20 80.20 80.20 80.20 80.20 80.20 80.20 80 80.20 80 80 80 80 80	+1.7 +1.1 +2.1 +2.1 +2.3 +2.3 +2.3 +2.1 +2.1 +2.1 +2.1 +2.1 +2.1 +2.1 +2.1	3445 2350 3044 22950 112,000 10,37 10,39 10,32 10,1	338.8 328.6 382.0 2294.5 285.8 10.77 10.59 10.18 9.35 9.35 285.70 77.00 0000bs; 122.50 0000bs; 122.50 122.5	996 498 333 65 44 7,122 752 21 7,117 2816 4,349 331 107 25 48 7,993 48 7,993 1,780	1,864 2,873 1,488 21,488 21,488 21,428 15,009 9,852 15,509 9,852 141,441 441,441 18,188 1,553 1,634 1,635 1,635 1,635 1,635 1,635 1,635 1,635 1,635 1,635 1,635 1,635	Brent E Brent E Brent E Brent E Brent E CHL Premiur Gas Of Heavy Napth Jet fuel Diesel Oft Gold (p Silver () Pathad Copper Land () Tin (Ne	Siend (da Siend (Jan Tipm est) PRODUM m Gasoli Fuel Oil a m Argus. IESI on troy co on troy to on (per tr m (per tr m (per tr	FOB (principal)  CTS Not (and (and (and (and (and (and (and (and	\$18 51 51 51 51 51 51 51 51 51 51 51 51 51	akkan) 1.56-5.6 8.62-6.6 8.70-8.7 92-7.9 of delive 187-186 187-186 180-183	Ow -4 -6 -6 -6 -6 -6 -6 -6 -6 -6 -6 -6 -6 -6	2.1850 1.150 1.116 1.116 1.110 2.5 -1 +1 +0.5 -2 -1 0.10 0.55 0.55
Aug Cock Ger Yotal Bis Yotal Got Many Total Got Man	333.8 303.8 294.3 293.0 10.79 10.75 10.05 9.86 10.17 10.05 9.86 10.07 86.30 86	+1.7 +2.1 +2.1 +2.1 +2.3 +2.3 -0.16	344.5 335.0 304.4 295.0 112,000 10.97 10.79 10.26 10.12 10.04 10.12 10.04 97.00 85.90 80.10 77.30 CE (15,1	338.8 328.6 382.0 2294.5 285.8 10.77 10.59 10.18 9.35 9.35 285.70 77.00 0000bs; 122.50 0000bs; 122.50 122.5	996 498 333 85 447 2,155 107 127 7,117 107 2,818 4,349 331 107 25 48 7,893 7,77 77	1,694 2,573 1,488 276 28,983 4 78,716 11,218 11,185 11,185 11,185 11,185 11,184 11,185	Dicher Brent E	Stend (de Stend	FOB (prised)  CTS NN  TE NN  T	\$18 Still St	akkan) 1,56-5,6 8,62-6,1 8,70-6,1 1,92-7,9 or deliver 187-186-186 188-189 150-151 180-186 164-186 16	### COM	2.185 1.150 1.115 2.110
Angi Cotton Bibliographic Cotton Cott	333.8 303.8 294.3 293.8 293.8 10.77 10.05 9.85 9.86 1TON NY( 86.43 85.30 85.25 85.20 77.30 124.15 127.15 129.40 131.59	+1.7 +1.1 +2.1 +2.3 +2.3 +2.3 +2.3 +2.3 +2.1 +2.3 +2.1 +2.3 +2.1 +2.3 +2.3 +2.3 +2.3 +2.3 +2.3 +2.3 +2.3	344.5 335.0 304.4 295.0 304.4 295.0 1112.0000 10.39 10.26 10.26 87.00 68.90 77.30 CE (15.10 127.75 128.90 -	339.8 382.0 224.5 225.8 382.0 224.5 225.8 382.0 224.5 225.8 382.0 224.5 225.8 39.5 25.2 25.2 24.2 24.2 24.2 24.2 24.2 24	996 498 333 355 44 2,867 7,752 627 127 752 627 127 7,117 251 107 251 627 7,761 1,761	1,564 2,573 1,482 2,573 21,963 8 78,716 11,509 11,165 8,553 8,553 8,553	Duber Brent E Brent E Brent E W.T.I. ( R O'IL Prembut Gas O'i Heavy Napyth Jet fuel Diesel Petrobas B O'TH Cold (p Patrau Palachu Copper Land ( Tin ( Cu Tin	Blend (da Bend (da Bend (da Ipm esa PRODUM m Gasoli Fuel Oil a m Argus. IES) er troy o per troy is (per tr m (per t is (per t is (per t is (per t)) is prod.) else veig to vei	FOB (prised)  To the lane  Tel lane  Tel lane  Tel lane  Tel lane  Tel lane	\$18 \$1 \$18 \$18 \$18 \$18 \$18 \$18 \$18 \$18 \$	4/4m) 158-5.6 6.62-6.6 8.62-6.6 8.70-6.7 92-7.9 92-7 92-7 92-7 92-7 92-7 92-7 92-7 92-	### COM	2.185 1.150 1.115 2.110
Angle Cock of the	333.8 303.8 294.3 293.0 10.79 10.75 10.05 9.86 10.17 10.05 9.86 10.07 86.30 86	+1.7 +1.1 +2.1 +2.3 +2.3 +2.3 +2.3 +2.3 +2.1 +2.3 +2.1 +2.3 +2.1 +2.3 +2.3 +2.3 +2.3 +2.3 +2.3 +2.3 +2.3	344.5 335.0 304.4 295.0 304.4 295.0 1112.0000 10.39 10.26 10.26 87.00 68.90 77.30 CE (15.10 127.75 128.90 -	339.8 39.20 329.45 229.45 229.45 229.45 229.45 229.45 10.77 10.18 10.18 10.18 10.18 10.18 10.18 85.70 85.70 85.40 85.40 85.40 85.40 123.90 123.90 123.90 123.90 123.90 133.00	996 498 333 65 44 2,867 7.1.22 752 127 21 7,117 25 827 749 331 1,580 7,487 77 6 6 6	1,564 2,573 1,482 2,573 21,482 21,422 14,218 15,509 9,552 11,188 15,509 9,552 11,188 15,509 9,552 11,188 11	Brent E Brent E Brent E Brent E Brent E Office of the Street of the Stre	Send (dasend (	FOB (print)  CTS No ne  Tel Lond  Te	\$18 \$18 \$18 \$18 \$18 \$18 \$18 \$18 \$18 \$18	4Klan)  558-5,6,8,2-8,1;  558-5,6,8,2-8,1;  592-7,9,0;  6187-1868-89  150-161-166  1518-163-89  150-163-19  150-16	Dw -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4	1185 1150 1116 1116 1116 1116 1116 1116 111
Angi Cotton Bibliographic Cotton Cott	333.8 303.8 294.3 293.8 293.8 10.77 10.05 9.85 9.86 1TON NY( 86.43 85.30 85.25 85.20 77.30 124.15 127.15 129.40 131.59	+1.7 +1.1 +2.1 +2.3 +2.3 +2.3 +2.3 +2.3 +2.1 +2.3 +2.1 +2.3 +2.1 +2.3 +2.3 +2.3 +2.3 +2.3 +2.3 +2.3 +2.3	3445.5 395.0 394.4 295.0 10.97 10.29 10.29 10.26 87.20 88.40 77.30 EE (15,10 127.75 128.90	339.8 39.20 329.45 229.45 229.45 229.45 229.45 229.45 10.77 10.18 10.18 10.18 10.18 10.18 10.18 85.70 85.70 85.40 85.40 85.40 85.40 123.90 123.90 123.90 123.90 123.90 133.00	996 498 333 65 44 2,867 7.1.22 752 752 127 21 7,117 25 4,349 331 1,580 7,47 77 6 6 -	1,564 2,573 1,482 2,573 21,963 8 78,716 11,509 11,165 8,553 8,553 8,553	Brent E Brent	Blend (da Blend (da Blend (da Blend (da In PRODUN In Gesoli Fuel Oil In Argus. IER In (per troy of cor troy of cor troy of cor troy of cor troy of the weight five weight five weight	FOR (principal principal p	\$18 \$18 \$18 \$18 \$18 \$18 \$18 \$18 \$18 \$18	akkan)  1.58-5.6.6.8.2-6.8.8.2-6.8.8.2-6.3.  1.57-186.8.8.2-6.9.  1.57-186.8.1.1.8.3.  1.57-186.8.3.3.8.3.  1.57-186.8.3.3.8.3.  1.57-186.8.3.3.8.3.  1.57-186.8.3.3.8.3.  1.57-186.8.3.3.8.3.3.8.3.  1.57-186.8.3.3.8.3.3.8.3.  1.57-186.8.3.3.8.3.3.8.3.0.  1.57-186.8.3.3.8.3.0.  1.57-186.8.3.3.8.3.0.  1.57-186.8.3.3.0.  1.57-186.8.3.3.0.  1.57-186.8.3.3.0.  1.57-186.8.0.0.  1.57-186.8.0.0.0.  1.57-186.8.0.0.0.0.0.0.0.0.0.0.0.0.0.0	Dw -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4	1185 1150 1116 1110 1116 1110 1116 1116 111
Aug Cotton Control Cotton Cott	333.8 303.8 294.3 293.0 10.79 10.17 10.05 9.86 10.17 10.18 9.86 86.20 86.20 77.30 124.15 127.15 129.10 131.50 133.50 133.50	+1.7 +1.1 +2.1 +2.1 +2.2 +2.3 >CE (**) -0.16 -0.17 -0.16 -0.17 -0.13 +0.07 +0.07 +0.02 +0.02 +0.03 +0.	3445.5 395.0 394.4 295.0 10.97 10.29 10.29 10.26 87.20 88.40 77.30 EE (15,10 127.75 128.90	339.8 39.20 329.45 229.45 229.45 229.45 229.45 229.45 10.77 10.18 10.18 10.18 10.18 10.18 10.18 85.70 85.70 85.40 85.40 85.40 85.40 123.90 123.90 123.90 123.90 123.90 133.00	996 498 333 65 44 2,867 7.1.22 752 752 127 21 7,117 25 4,349 331 1,580 7,47 77 6 6 -	1,564 2,573 1,482 2,573 21,482 21,422 14,218 15,509 9,552 11,188 15,509 9,552 11,188 15,509 9,552 11,188 11	Brent E Brent E Brent E Brent E Brent E W.T.I. ( ) II Off.  Prambut Gas Of Heavy I II Off. Problem I CTH Godd (p Patharu I CTH Copper Land () ITh (Nu Th (Nu Th (Nu Th (Nu Lon. da Lon. da Lon. da	Stend (da Stend (da Stend (da Stend (da Stend (da Ferior (da Stend	FOB (product)  CTS No ne  Tel. (and product)  Addition of the control of the cont	\$18 STILL ST	4Klan)  558-5,6,8,2-8,1;  558-5,6,8,2-8,1;  592-7,9,0;  6187-1868-89  150-161-166  1518-163-89  150-163-19  150-16	Dw -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4	1185 1150 1116 1116 1116 1116 1116 1116 111
Ang Dec Control Sulfare Total Sulfare Control	333.8 303.8 294.3 293.8 293.8 10.77 10.05 9.85 9.86 1TON NY( 86.43 85.30 85.25 85.20 77.30 124.15 127.15 129.40 131.59	+1.7 +2.1 +2.1 +2.1 +2.2 +2.2 +2.2 +2.3 -2.16 -2.16 -0.17 -0.16 -0.17 -0.18 -0.17 -0.18 +0.05 +1.10 +0.02 -0.26 +1.10 -0.26 -0.26 +0.05 -0.26 +0.05 -0.05 +0.05 -0	344.5 355.0 304.4 295.0 10.12 10.26 10.12 10.26 10.12 10.12 10.12 10.14 10.16	339.8 39.20 329.4 5 205.5 8 302.0 204.5 205.5 8 302.0 10.77 10.59 10.18 10.18 55.70 55.70 0000lbs; 55.70 0000lbs; 123.80	996 458 333 55 4.417 7.122 7.527 127 127 127 127 127 127 127 127 127 1	1,894 2,873 1,488 2,573 1,488 2,573 1,488 15,509 9,852 14,218 15,509 9,852 1,754 1,188 15,509 1,183 1,	Brent E Brent	idend (de send (de se	FOB (production)  CTS Note to the control of the co	\$18 \$11 \$11 \$11 \$11 \$11 \$11 \$11 \$11 \$11	akkan)  1.58-5.6. 8.62-6.1 8.70-6.7 9.22-7.9 or delive 187-186-189 9350-89 935	Dw -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4	1185 1150 1116 1116 1116 1116 1116 1116 111
Aug Dec Blar Total Co Dec Blar Blar Blar Blar Blar Blar Blar Blar	339.8 309.8 329.3 293.0 293.0 293.0 10.79 10.17 10.05 9.66 170N NY(0 86.43 86.30 86.25 86.90 80.20 77.30 124.15 127.15 129.40 133.90 133.95 13	+1.7 +1.1 +2.1 +2.1 +2.1 +2.2 +2.2 +2.3 -0.16 -0.17 -0.16 -0.17 -0.16 -0.17 -0.18 +0.07 +0.05 +0.07 +0.05 +0.05 -0.05 +0	3445.5 395.0 394.4 295.0 10.97 10.29 10.26 10.26 10.26 87.00 88.40 77.30 25.10 127.75 123.90 77.30 26.10 127.75 123.90 77.30 26.10 127.75 123.90 77.30	339.8 382.0 224.5 225.8 382.0 224.5 225.8 382.0 224.5 225.8 382.0 224.5 225.8 39.5 25.2 25.2 24.5 27.0 0000bs;	996 458 333 65 42 287 7.122 21 7.117 28 28 331 107 25 43 49 331 107 25 43 49 7,89 7,77 6 6 7,47 77 6 6 7,47 77 77 6 74 74 74 74 74 74 74 74 74 74 74 74 74	1,694 2,673 1,482 2,673 21,963 3 78,716 15,009 11,165 8,553 11,165 8,553 8,553 8,553	Brent E Brent	Send (dasend (	FOB (production)  CTS Note to the control of the co	\$18 \$11 \$11 \$11 \$11 \$11 \$11 \$11 \$11 \$11	4/4m)  55-5.6  6.82-6.6  8.70-6.7  92-7.9  pt deliver  187-186  187-185  187-185  187-186  18	Dw -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4	1185 1150 1116 1116 1116 1116 1116 1116 111
Aug Dec Blar Total Co Dec Blar Blar Blar Blar Blar Blar Blar Blar	333.8 303.8 294.3 293.0 10.79 10.75 10.05 9.86 10.17 10.05 9.86 35.30 86.30 86.30 86.30 86.30 86.30 124.15 127.15 129.40 131.60 131.60 131.60 133.90	+1.7 +1.1 +2.1 +2.1 +2.1 +2.2 +2.2 +2.3 -0.16 -0.17 -0.16 -0.17 -0.16 -0.17 -0.18 +0.07 +0.05 +0.07 +0.05 +0.05 -0.05 +0	3445.5 395.0 394.4 295.0 10.97 10.29 10.26 10.26 10.26 87.00 88.40 77.30 25.10 127.75 123.90 77.30 26.10 127.75 123.90 77.30 26.10 127.75 123.90 77.30	339.8 382.0 224.5 225.8 382.0 224.5 225.8 382.0 224.5 225.8 382.0 224.5 225.8 39.5 25.2 25.2 24.5 27.0 0000bs;	996 458 333 65 42 287 7.122 21 7.117 28 28 331 107 25 43 49 331 107 25 43 49 7,89 7,77 6 6 7,47 77 6 6 7,47 77 77 6 74 74 74 74 74 74 74 74 74 74 74 74 74	1,694 2,673 1,482 2,673 21,963 3 78,716 15,009 11,165 8,553 11,165 8,553 8,553 8,553	Brent E Brent	Stend (da Stend (Jan 1997) Stend (Jan 19	FOB (production)  CTS Note to the control of the co	\$18 \$19 \$19 \$19 \$19 \$19 \$19 \$19 \$19 \$19 \$19	akkan)  58-5.6.  6.82-6.6.  8.70-6.7.  187-186	Dw -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4 -4	1185 1150 1116 1116 1116 1116 1116 1116 111
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Aug Dec Blar Total Co Dec Blar Blar Blar Blar Blar Blar Blar Blar	339.8 309.8 329.3 293.0 293.0 293.0 10.79 10.17 10.05 9.66 170N NY(0 86.43 86.30 86.25 86.90 80.20 77.30 124.15 127.15 129.40 133.90 133.95 13	+1.7 +1.1 +2.1 +2.1 +2.1 +2.2 +2.2 +2.3 -0.16 -0.17 -0.16 -0.17 -0.16 -0.17 -0.18 +0.07 +0.05 +0.07 +0.05 +0.05 -0.05 +0	3445.5 395.0 394.4 295.0 10.97 10.29 10.26 10.26 10.26 87.00 88.40 77.30 25.10 127.75 123.90 77.30 26.10 127.75 123.90 77.30 26.10 127.75 123.90 77.30	339.8 382.0 224.5 225.8 382.0 224.5 225.8 382.0 224.5 225.8 382.0 224.5 225.8 39.5 25.2 25.2 24.5 27.0 0000bs;	996 458 333 65 42 287 7.122 21 7.117 28 28 331 107 25 43 49 331 107 25 43 49 7,89 7,77 6 6 7,47 77 6 6 7,47 77 77 6 74 74 74 74 74 74 74 74 74 74 74 74 74	1,694 2,673 1,482 2,673 21,963 3 78,716 15,009 11,165 8,553 11,165 8,553 8,553 8,553	Brent E Brent E Brent E Brent E Brent E Brent E W.T.I. (IE O'IL Prembur Gas O'i Heavy I Napteh Jet fuel Perceus II O'TH Gold (Cattle & Siver (Cattle & Sheep I Pigs (Maize (Wheat I Rubber Rubber Rubber Rubber Rubber	ible Oil.  Stend (dassend (in ipm ess)  PRODUM  Gasoli  Fruel Oil  a  a  Argus.  IER  er troy o  cor t	FOB (production)  CTS NV  ne  Tel. Lon  CTS NV  ne  Tel. Lon  (crew)  CTS NV  Policy (crew)  Yellow)  Yellow)  Yellow)  North	\$18 \$18 \$18 \$18 \$18 \$18 \$18 \$18 \$18 \$18	aklan)  58-5.6. 8.2-8.1  58-5.6. 8.2-8.1  58-7.8.2  57-8.2  58-7.8  58-7.8  58-7.8  58-7.8  58-7.8  58-8  58	## ## ## ## ## ## ## ## ## ## ## ## ##	2.1850 1.1150 1.
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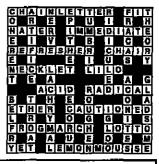
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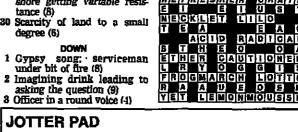
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26 Man, for example, tops yard Cause to join equipment round the pole (4) 27 Father's cheers for Italian

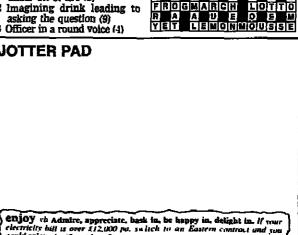
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## European sector shrugs off mixed economic data | Mol issue priced

By Richard Lapper and Antonia Sharpe in London, and Lisa Bransten in New York

Contrasting news on European economic fundamentals provided the main focus of interest in a generally quiet day on government bond markets yesterday. But the figures - showing higher than expected inflation for Italy and slower growth in France - had little impact on trading, with markets drifting sideways ahead of tomorrow's Thanksgiving Day holiday in the US.

Trading volumes were thin. Analysts said the US budget breakthrough achieved over the weekend had been discounted and that positive sentiment was giving way to new concern about the next deadline in mid-December.

worse than expected Italian yield spread over Germany

CPI figures proved well-founded, with the November CPI for Italy's main cities rising by 0.6 per cent over the month, pushing the headline inflation rate back up to 6 per cent from October's 5.8 per

Mr David Brown, chief European economist at Bear Stearns, said the news "is bound to crystallise market nervousness at the front end of the Italian curve that the mon-etary authorities could be forced to toughen up on inter-

Most investors had discounted the news on Monday, when 10-year December bond futures lost more than half a point. Yesterday, prices ended the day down 0.06, before gain ing nearly a quarter point in APT trading. In the cash mar-■ Rumours on Monday of under-performed – with the

Next Monday, the Treasury will hold the first buy-back of government bonds, maturing between September 1 1996 and March 31 1998. It will be the first time proceeds from privatisations have been used to reduce the national debt.

#### GOVERNMENT BONDS

The Treasury said the buyback would take the form of a competitive auction for specialist bond traders. It will announce the three issues involved on November 24. -

■ News of weaker than expected industrial and manufacturing output figures for Septem-ber confirmed fears that the French economy is slowing, potentially reducing tax reve-

proved widening by 7 basis points to nues and jeopardising fiscal the Novem- 539 points. deficit reduction targets.

Mr Graham McDevitt. bond strategist at Banque Paribas, said the figures increased the likelihood of a cut in French interest rates but had little impact on trading.

Bond prices drifted lower. with the 10-year bond future losing 0.18 in floor trading on Matif. The Pibor contract lost some of its recent gains, falling by 0.07 to close at 3.43.

■ The German market remained range-bound. On Liffe, 10-year futures prices tested a low of 97.25 before rebounding to settle 0.09 higher at 97.38. The threemonth euromark future ended

Mr McDevitt said the markets lacked upward momen-tum in the absence of activity in Treasuries but "no selling pressure was coming through".

■ In line with the general trend, gilts were also little changed. Worse than expected non-EU trade figures showed a deterioration in the trade defi-

■ Two high yielding markets continued their recent rallies, with currency strength boosting Swedish bonds and hopes of an interest rate cut buoying the Spanish market.

cit but had little impact.

In the 10-year sector, Swed-ish yield spreads over Germany narrowed by 5 basis points to 257 points, while Spanish yields over Germany also came in by 5 basis points to 417 points.

■ US Treasury prices were lower in early trading as traders prepared for an afternoon auction of 10-year notes.

Near midday, the benchmark 30-year Treasury was off & at 108% to yield 6.255 per cent

**NEW INTERNATIONAL BOND ISSUES** 

lower at 100%, yielding 5.468

At 1pm, the Treasury Department was to auction \$13.5bn in 10-year notes and prices generally decline just before auctions as traders try and boost yields to make the securities more attractive. When-issued 10-year notes were yielding about 5.91 per cent. Healthy demand was shown at Monday's auction of \$18bm in three-

Also weighing on the market was news that chain store sales increased by a seasonally adjusted 0.1 per cent last week, according to the Mitsubishi Bank/Schroder Wertheim index and were 5.5 per cent

higher year-on-year. Traders were looking to the Johnson Redbook retail sales report, due to be released near 3pm, for more insight into consumer spending patterns.

# at the bottom of indicated range

By Antonia Sharpe in London and Virginia Marsh



cautious response from international investors caused the international offering of shares in Mol, Hungary's

national oil and gas company, to be priced at Ft1,100 a share yesterday, at the bottom of the indicated price range of Ft1,100 to Ft1.450.

The government also decided

to scale back the size of the offering to 18.5m shares, or 18.8 per cent of the company, from an original target of 24.6m shares or 25 per cent. The Mol sale will raise Pt20.4bn (\$153m), or slightly more if an over-allotment or "greenshoe" option of 3.5m

shares is exercised.

The proceeds will help the government to go part of the way to meeting its Ft150bn pri-vatisation target for this year. Bankers involved in the transaction, the largest central European primary equity offer-ing to date, said Mol had encountered the same investor caution which manifested itself during the Italian government's privatisation of Eni, its oil and gas company, and the Indonesian government's privatisation of PT Telkom, its

telecoms company.

In the case of Eni, the offering was scaled back and the shares priced at the bottom of the range. Poor response from foreign investors forced the Indonesian government to halve the size of the interna-tional tranche of the PT Telkom sale and to set a price below the indicated range. Bankers said demand for Mol

7.24 7.89 7.95 8.03

8.42 7.25 8.42 7.94 8.40 7.98 8.46

between the UK and the US. with a spread of interest from specialist emerging market and natural resources funds.

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However, they added that US investors had been much more cautious than their European counterparts, expressing con-cern about the political risk associated with Hungary. Dresdner-Kleinwort Benson. Lazard and Merrill Lynch, the

joint global co-ordinators, will allocate shares to international investors today. A further 3 per cent of the share capital will be sold in a domestic offer next week via Creditanstalt. The shares on offer to foreign investors will be global depositary shares, which are

equal to Mol's ordinary shares. Mol has applied to have the GDSs listed on the Budapest and Luxembourg exchanges. They will also be quoted on Seaq International in London. The Mol offering will be pro-vide a boost to the Budapest stock exchange which with a total market capitalisation just \$1.6bn, is much smaller than

those of Prague or Warsaw. The sale forms part of the government's radical plans to privatise the energy sector. It had originally planned to sell 30 to 35 per cent of Mol to strategic partners, but this strategy was abandoned after strong domestic opposition.

Prior to the offering, the government held 88.3 per cent of Mol's share capital with the remainder traded over-thecounter in Hungary. A further 6 per cent is being offered to employees and management, leaving the government with about 60 per cent. It intends to reduce its stake further to 25 per cent plus a golden share. Mol is Hungary's largest company and one of Europe's top 15 oil and gas utilities. The value of its oil and gas assets is put at around \$1.8bn. shares was split equally

-- Low compon yield -- -- Medium coupon yield -- -- High coupon yield --- Nov 21 Nov 20 Yr. ago Nov 21 Nov 20 Yr. ago Nov 21 Nov 20 Yr. ago

8,48 8,53 8,53

7,33 8,01 8,04

7.25 7.94 7.98

## Sweden offers \$2bn jumbo

The Kingdom of Sweden yesterday took advantage of continuing Japanese retail appetite for foreign currencydenominated bonds by issuing a SCbn jumbo offering of threeyear paper.

The 4.5 per cent bonds yield 5.08 per cent - more than 40 basis points below comparable US Treasuries. "For an Aa3/ AA+ rated borrower, that's quite an achievement," said

one syndicate dealer. However, according to lead manager Yamaichi International, Japanese retail investors - hungry for assets that yield more than domestic saving instruments at a time when huge amounts of higheryielding savings are falling due are shrugging off the lessthan-generous terms. Also, dealers said. Japanese retail investors tend not to invest in US Treasuries, which are hard to trade in small lots.

WORLD BOND PRICES

7 16 103/90 7.31 1111/2 7.35 90% 7.31 1111/3 7.37 102/96 7.37 102/96 7.44 117/4 6.74 1111/4 7.75 93/4/4 7.79 1111/4

Having gauged investor demand through its retail net-work, Yamaichi expects to sell the issue to between 100,000 and 120,000 retail investors in coming weeks. Many of these investors will see redemptions of their savings instruments in December, when nearly Y20,000bn of investments mature. Yamaichi said.

#### INTERNATIONAL BONDS

Moreover, an estimated Y5,600bn of year-end bonuses will be seeking a home for investment, it added.

The average return on the instruments maturing in December - including government bonds, bank debentures and bank deposits - is around 5 per cent. That compares with current yields on similar investments in the range of 0.5 per cent to 2.5 per cent, Yam-

The European Bank for Reconstruction and Develop-ment also tapped the Japanese retail sector, albeit with a more modest \$100m offering of 5.23 per cent live-year bonds via Wako International

Elsewhere, KfW, the German reconstruction agency, launched a successful \$400m issue of five-year bonds via Deutsche Morgan Grenfell and Merrill Lynch. The issue was welcomed by

continental European (especially Swiss and German) investors and Asian accounts, and was sold out soon after launch. Helped by the softer tone in US Treasuries, the yield spread narrowed to 15 basis points, from 18 points at launch

 Moody's Investors Service yesterday assigned a first-time Al rating to the City of Naples to apply to securities denomi-nated in foreign currencies or

Moody's said that although

Borrower US DOLLARS	Amount	Coupon %	Price	Mintertty	Fees %	Spreed bp	Book runner
Kingdom of Swedentit*	2bn	4.50#	99,084	Mar. 1999	1.20	_	Yamaichi Intl.(Euroce)
KfW International Finance	400	5.75	99.32R	Dec.2000	0.25R	±18/99694_003	Deutsche MG/ Merrill Lynct
EBRD*	100	5.23#	100.00	Jan.2001	1.20	- 10/0/	Water International@uropet
CE Casechan Waterlaid	75	(e1)	(a1)	Nov.2002	2.00	-	CS First Boston
Banco de Galicia	50	10.875#	100,00R	Dec.1997	0.50R	+545(5% %-97	Chase Investment Bank
SWISS FRANCS							de Ordendal Thebas
JP Morgan & Co.	200	3.75	102.40		2.50		del Gottardo/ Zürcher
STERLING							
Prospect 2, Tranche A(b1):	172	(b2,s)	99.875R	Nov.2005	0.20R	-	Berclays de Zoste Wedd
Prospect 2, Tranche B(bS);	13.7	(b4,s)	100.00R	Nov.2007	0.50R	-	Barciays de Zoete Wedd
Prospect 2, Tranche C(b3)#	6,85	(b5,a)	100.00	Nov.2010	0.50R	-	Bardays de Zoete Wedd
Computacentar Services Grp.(c	60_	10.00	99.885R	Nov-2002	2,00R	1225(879-12	Benkers Trust International
LUXEMBOURG FRANCS							-
Parbel International Finance()	2bn	7.00	100.55	Mar.2004	1.75	-	Banque Paribas Luxembour
Deutsche Bank Pinence(s)	2bn	6.50	102.45	Dec.2003	2.00	-	Banque Générale du Lux.
Kredietbank Luxambourg	2bn	6.00	102.70	Jan.2001	1.75		Kredietbenk Luxembourg
PESETAS							
European Investment Bank	15bn	10.35	101.45	Dec.2005	1.875	-	Bco. Santander de Negocio
Europeen investment Bank(d)	10bn	10.125	101.686	Oct.2000	1.625		Bco. Santander de Negocio
DANSH KRONER							
Norddeutsche Landesbark	400	7.00	101.65	Jen.2002	1.875	-	Kredletbank
Final terms, non-callable unless Floating-rate note, #Semi-annus 5.85 yrs. at) Priced later: 3-mil coupon dates from 15/11/98 at	i coupon. R: 1 Libor + acr	fixed re-of prox 300bp	fer price; fo . b) Secure	es shown at d by revolvin	re-offer	ievel, et Amortis et icans origins	es from 15/11/00: average it ted by HFC Benk, Callable o

Expected average life: 9 ys. b4) 5 ys. by 5 to 15/11/01 and 400bp to 15/11/01 and 400bp thereafter. b5) 5-mith Libor 450bp to 15/11/01 and 400bp to 15/11/ Naples was in financial diffithe foreseeable future local authorities to issue debt

culty, and thus under an order of protection from trade creditors, it had continued to be current on all financial obliga-tions, and should remain so for

Several Italian municipalities are in the process of obtaining credit ratings, reflecting anticipated legislative changes that will allow

in the public markets. IBCA. the European rating agency last month assigned a triple-A rating to the municipal author-

Accrued interest

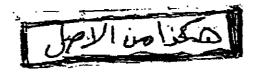
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	Common	Red Date	Oden	Day's		Week		Strike	D	_	ALLS		Dan la	PUTS -	Mar	Price Indices UK Cats	Tue Nov 21	Day chang		Mon Nov 20	Accrused interest
Australia	Coupon 7.500	07/05	93,9600	change -0.070	Neid B.44	8.61	8.59	Price 9700	Dec 0.42	Jen 0.42	Feb 0.69		Dec Ja 1.04 0.6		1,10		122.50	+0.		122.49	2.02
Austra	6.500	11/05	97.9600	_	6.78	6.79	7.08	9750	0.08	0.23	0.48	0.68 0	20 0.9	4 1,19	1.37	1 Up to 5 years (22) 2 5-15 years (21)	147.02	-0.		147.05	1.34
Betgum Canada "	6.500 8.750	03/05 12/05	97.6600 108.6400	-0.080 +0.290	6.84 7.51	6.83 7.60	7.16 7.72	9800 Est. vol. 100	0,01 sí. Casta 188	0.12 20 Puis 116			LG3 1,3 int Ce55s 223		1,89 1046	3 Over 15 years (8) 4 trredeemables (6)	164.03 186.87	·-a.	19	164.03 187.09	2.07 0.86
Denmark	7.000	12/04	96.3000	-	7.58	7.61	7.93					_,	,			5 All stocks (58)	142.71	-õ		142.72	1.73
France BTAN		04/00 10/05	105.8750 105.1500	-0.130 -		6.31 7.09	6.87 7.56	italy			_										
Germany Bund	6.500 6.250	10/05 10/04	101.1200 90.4500	+0.070	6.34	6.32 7.89	6.61 8.28			AN GOVT. n 100ths o	, <b>BOND</b> (B) ( 100%	IP) FUTUR	œs			Index-linked				-04 50	
ireland Kaly	10.500	09/05	94,9100	-0.190			11.47	4-2-4	Open	Sett pric		High	Low	Est. vol	Open Int.	6 Lip to 5 years (1) 7 Over 5 years (11)	194.45 187.37	-0. -0.		194.59 187.75	0.63 1.17
Japan No 129 No 174		03/00 09/04	120,3830 112,9610	+0.037 +0.037		1.48 2.75	1.57 2.74	Dec	103,30	103.06	-0.06	103.40	102.68	44126	43367	8 All stocks (12)	187.40	-0.	20	187.77	1.16
Nemerlands	6.750	11/05	102,6000	-0.060	6.39	6.34	6.68	Mar	102.60	102.72	-0,06	102.84	102.50	450	3576	Average gross redemption yiel	de are ahou	au spore	Contion	Bender	Low: 0%-7%!
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Sweden	6.000	02:05	82.1420	+0.325	8.92	9.18	9.40	Strike Price		Dec C	ALLS Mi		Dec	· PUIS -	Mar						
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#### CURRENCIES AND MONEY

MARKETS REPORT

# Sterling continues recovery from record low

Sterling yesterday shook off the impact of a larger than expected trade deficit to continue its recovery off the record lows seen last week.

There were no news developments to explain the move, which was a mirror image of the slide on Friday which took place for no apparent reason. On a trade weighted basis, sterling finished in London at 82.7, from 82.2. Against the D-Mark it finished at DM2.1949. from DM2.1842, while against the dollar it closed at \$1.559 from \$1.5463.

Markets were generally very quiet, with the dollar remaining range-bound, and this setting the tone for trading across the board. With US markets set to shut down on Thursday for the Thanksgiving weekend, foreign exchanges look set to remain quiet in the short term. The dollar closed at DM1.4079. from DM1.4125. Against the yen it finished at Y101.355,

POUND SPOT FORV

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2.3867 40.8991 5.8472 2.2020 5.8840 1198.07 42.5843 39.1764

(Shk) (Y) (MS) (NZS)

Austria Belgium Dermark Finland France Germeny Greece Ireland Italy Lusembour, Netherlands Norway Portugal Spain Sweden Sweden UK

The D-Mark was little changed in Europe. Against the French franc it closed at FFr3.448 from FFr3.446.

■ Foreign exchange markets appear to have got bored with the budget tedium in the US, but have not found any other compelling themes to take its place. In the meantime, budget inertia looks set to weigh on the dollar, possibly for some time yet. President Reagan, for example, once went on signing spending resolution extensions for nearly a year.

The announcement of a Bos-nian peace deal was ignored by markets, which appeared to be resolutely in the grip of pre-Thanksgiving fever. Traders reported little evidence of cor-

Pour	rd in Hew York	k _
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+0.0126 583 - 591 +0.015 025 - 035 +0.0179 057 - 074 +0.1903 856 - 534 +0.0127 586 - 583

1.1970 +0.0056 965 - 975

porate business, while some investors are thought to have effectively shut down for the year already.

cussion currently in the markets concerns the outlook for German interest rates. Mr Steve Hannah, head of research at IBJ International in London, said they believed "that the Bundesbank might be prepared to cut rates a lot earlier than the markets expect."

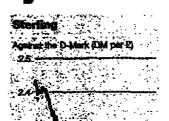
He said that recent survey and inflation evidence all pointed to the same picture "which is that monetary condi-tions are too tight. There is a reasonable chance that Germany may cut as early as next week," said Mr Hannah.

Ms Alison Cottrell, international economist at Paine Webber in London, said that this view had appeal on grounds of "interest rate diplomacy" - the view that while international considerations will not prompt

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the timing, in order to obtain maximum political advantage. It is the domestic context which provides the motivation. If, but only if, the motivation is there, politics naturally affects the timing," said Ms Cottrell. Looking back to the timing of all Bundesbank moves in official rates since the start of 1998, Ms Cottrell demonstrates

an impressive correlation between these events and important international meetings, such as G7 gatherings, following soon after. On nine of the twelve occasions, a relationship can be established.

In this case, the timing issue revolves around the EU summit in Madrid on December 15-16, and the Franco-German summit in the preceding week. The feeling is that the Bundesbank would not want to change policy at the December 14 meeting, so close to the summit, and would anyway be preoccupied at that meeting with discussion of a new M3 target. This puts the spotlight on the November 30 meeting of the Bundesbank council.

■ Sentiment towards sterling appears to be less bearish than at the end of last week. Mr Hannah said sterling weakness had been a response to fears that the government might "over-egg the fiscal pudding".

But he added: "If they cut

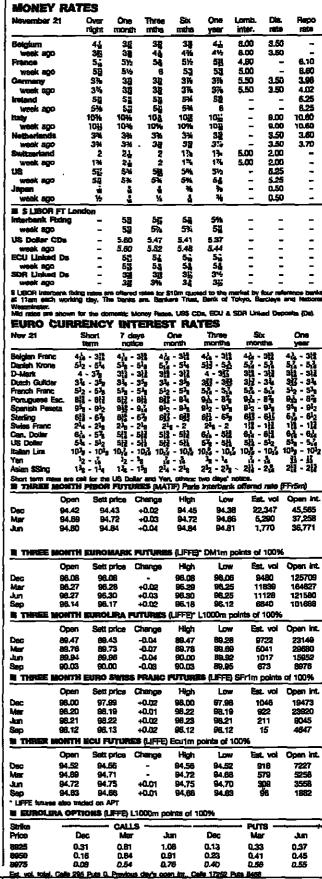
interest rates against the back-ground of a tight budget and a cut in German interest rates, I don't think that will do sterling any harm."

Mr Carl Weinberg, chief economist at High Frequency Economics in New York, said that while he could see the "humanitarian" case for lower rates, the economic case did not currently exist. But if political exigencies require one, then "our problem is that we do not think the markets will react nicely to any of the choices available to the Chancellor," said Mr Weinberg. In its daily operations the

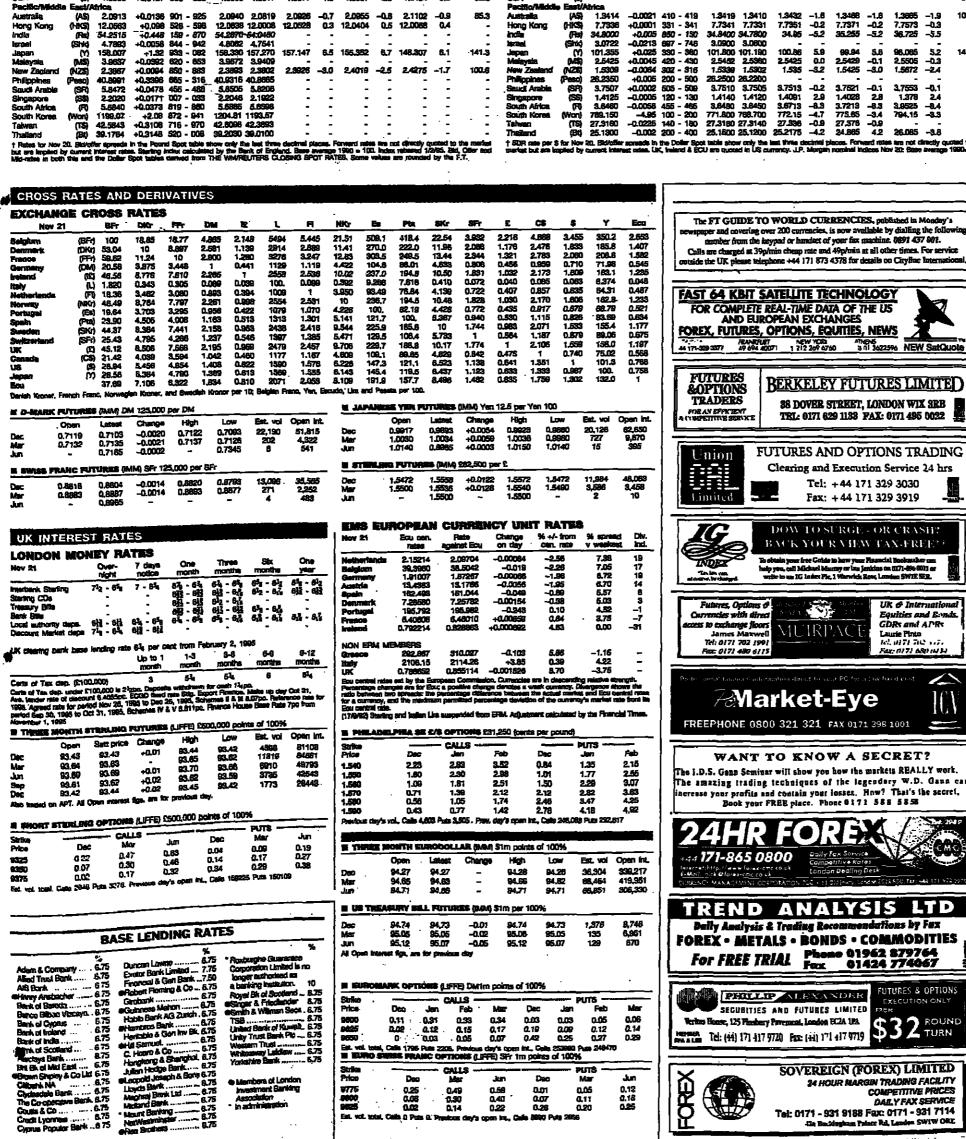
Bank of England provided £401m assistance towards clearing a £650m money market shortage.

Nov 21	£	S
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Respira.	7116.65 - 7118.13	4584.00 - 4567.00
DAE	\$.7238 · 5,7272	35724 - 35729

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Nov 21		Closing	Change	Bid/offer	Day's		One mo		Three ma		One ye		J.P. Morgan
		mid-point	on day	spread	<u>Ngh</u>	low	Rate	%PA	Rate	%PA	Pate	%PA	index
Europe													
Austria	(Sch)	9.9061		029 - 092	9.9325		9.891	1.8		1.8	9.7516	1.6	
Beighum	(BFr)	28.B450	-0.088	400 - 500		28.9200	28.804	1.7	28.825	1.7	28.525	1.5	
Denmerk	(DK4)	5.4560		545 - 575	5,4895	5,4494	5.4588	-0.2	5.4525	0.3	5,462	-0.1	
Finland	(FM)	4.2076	-0.0032		4.2277	4.1809	4.2072	0.1	4.2061	0.1	4.2016	0.1	
France	(FFr)	4.8550		545 - 555	4.9885	4.8510	4.8563	-0.3	4.8588	-0.3	4.8713	-0.3	
Garmany	(DM)	1,4079		075 - 083	1.4120	1,4060	1,4059	1.7	1.4017	1.7	1.3861	1.5	
Greece tretand	(Dr)	232,910		850 - 970 064 - 084		232,540	234,635 1,6076	-8.9 -0.1	237.835	-8.5 -0.1	251.31	-7.9 -0.4	
italy .	阙	1.6074 1590.35		980 - 090	1,6115 1594,79		1.5078	-0.1 -5.1	1.6077 1809.15	-0.1 -4.7	1.6141 1688.35	-4.8	
Luxamboura		28,9450	-0.086	400 - 500	29.0120		28.904	1.7	28.825	-4.7 1.7	28.525	1.5	
Netherlands	(LT)	1.5765	-0.0049	760 - 77D	1.5817	1.5748	1.5738	20	1,5888	20	1,5488	1.8	
Norway	(NKI)	6.2258	-0.0007	235 - 280	6.2395	6.1807	6.222	0.7	6.2158	0.6	6.2058	0.5	
Portugal	(Es)	147.370	-0.65			147.310	147.835	-3.8	148.845	-4.0	153.47	-4.1	95.9
Scale	(Pta)	121,110	-0.36	080 - 140	121.410		121,49	-3.8	122.26	-3.8	125.755	-3.8	81.3
Sweden	Śĸ	6.5235	-0.0449	192 - 278	6.5728	6.5192	6.541	-32	6.5775	-3.3	6.748	-3.4	86.7
Switzerland	(SFr)	1.1376	-0.0026	372 - 380	1.1412	1.1367	1.134	3.8	1.1279	3.4	1.1001	3.3	
UK		1.5590	+0.0127	586 - 593	1.5600	1.5517	1.5577	1.0	1.5557	0.8	1,5454	0.9	
Ecu	7	1.3024		021 - 026	1,3027	1.2988	1.3028	-0.4	1.3035	-0.3	1.3058	-0.3	
SDRt	_	0,66960		-		-	-	-	-			-	_
Americas													
Argentina.	(Peso)	0.9999		998 - 99 <b>9</b>	0.9996	0.9997	-	-	-	-	-		-
Braze	(PS)	0.9641		640 - 642	0.9642	0.9622	-	-		-	-	-	-
Canada	(CS)	1.3513		510 - 515	1.3521	1.3498	1.3529	-1.5	1.356	-1.4	1.3683	-1.3	83.5
	y Peso)	7.7100	+0.06	900 - 300	7.7300	7.6750	7.7123	-0,4	7.7154	-0.3	7.7203	-Q.1	-
USA	T <sub>S</sub>		-	-	-	-	-	-	-	-	•	-	93.9
Pactic/Middle					<b>-</b>								
Australia.	(AS)	1.3414		410 - 419	1.8419	1.3410	1.3432	-1.6	1,3468	-1,8	1.3865	-1.9	107.1
Hong Kong	(HKQ)	7.7336	+0.0001	331 - 341	7.7341	7.7331	7.7951	-0.2	7.7371	-0.2	7.7573	-0.3	-
inda	(Fis)	34,8000	+0.005	850 - 150	34.8400		34.85	-52	35.255	-52	S6.725	-5.5	-
israel	(Shid	3.0722	-0.0213	697 - 746		3.0600	400.00				-		
Jepen	, W	101,355	+0.025	330 - 380	101_800		100.86	5.9	99.94	5.6	96.065	5.2	141.9
Malaysia	(MS)	2.5425	+0.0045	420 - 430	2,5452	2.5980	2.5425	0.0	2,5429	-0.1	2.5505	-0.3	-
New Zealand	(NZ6)	1.5309	-0.0064 +0.005	302 - 316 200 - 500	1.5339 26.2500	1.5302	1.535	-3.2	1.5425	-3.0	1.5672	-24	-
Philippines	(Peso)	26.2350	+0.0002	200 - 500 505 - 508	3.7510	3.7505	3.7513	-0.2	3.7521	-0.1	3.7553	-0.1	-
Saudi Arabia	(SR)	3.7507 1.4125	-0.0005	120 - 130	1.4140	1.4120	1.4091	2.9	1,4028	2.8	1,378	-0.1 2.4	•
Singapore South Africa	(SS)	3.6460		455 - 465	3.6480	3.6450	3.6713	-83	3.7213	-8.3	3.9525	-84	
South Korea	(FI) (Won)	3.646U 789.150	-4.95	100 - 200	771.800		3.07 13 772.15	-0.3 -4.7	3.7213 775.85	-0.3 -3.4	794.15	-8.3	-
Talwan	(TS)	27.3160		140 - 180	27,3180		27.238	-0.5	27.376	-0.9	. 6, 15	-0-0	
Theiland	(Bt)	25,1300		200 - 400	25.1800		25.2175	-4.2	24,885	4.2	26.085	-3.8	
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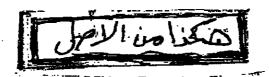
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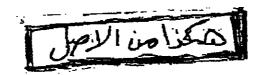
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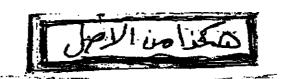
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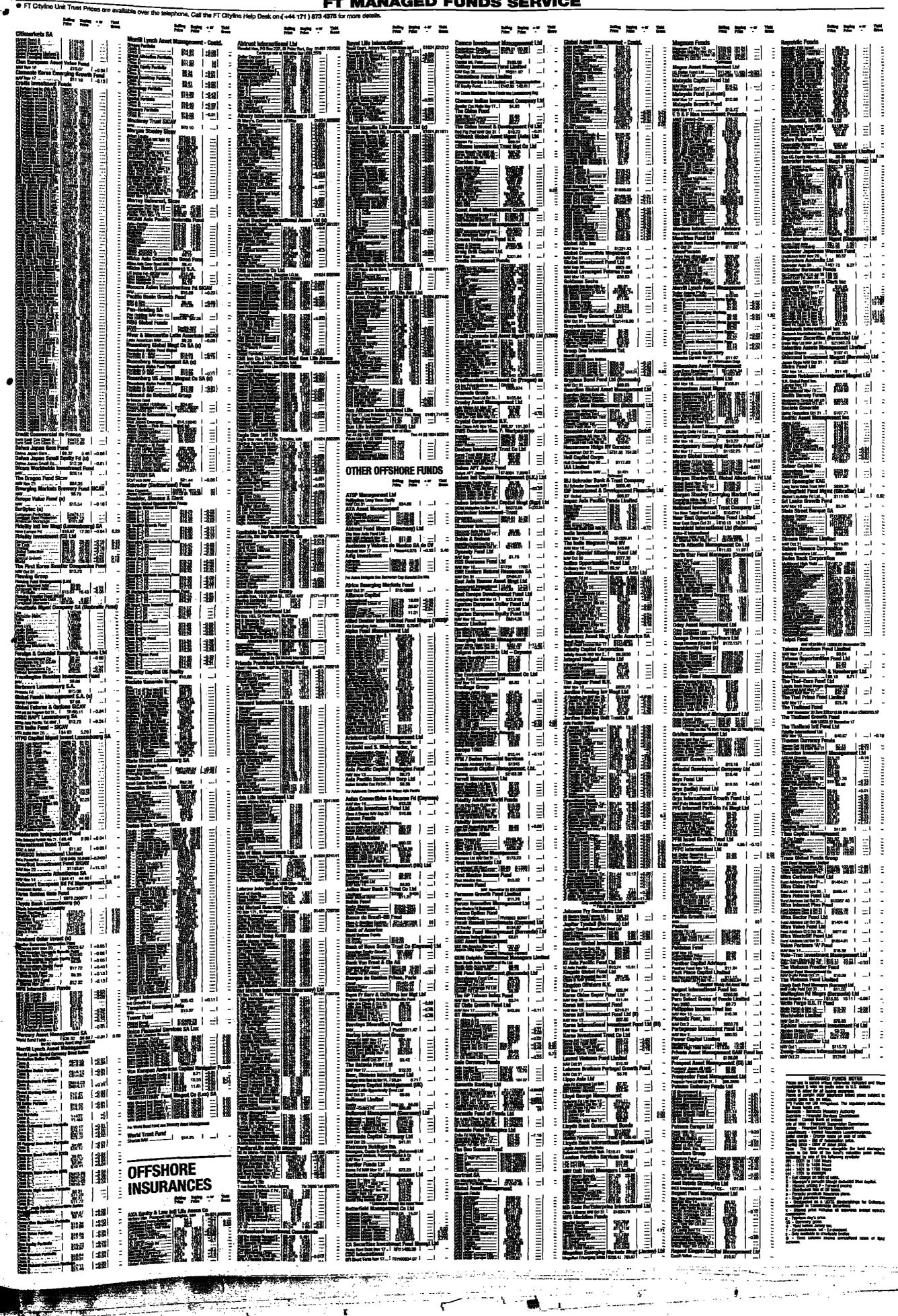
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Secretary Harry

## Earnings worries and placing talk hit equities

**UK Stock Market Editor** 

The FT-SE 100 index only just managed to cling on to the 3,600 level yesterday as another damaging profits warning, increasing nervousness about Wall Street and rumours of several big placings combined to drive shares

There was talk, late in the day. of a big stock placing in one of the leading banks. The market was also rife with suggestions that LVMH. the French luxury goods company, had sold its near 20 per cent Sachs, the US investment bank, via a bought deal, a story denied by Goldman. Another wild suggestion was that Grand Metropolitan, the description of the shock news that both Lord calor, BICC, and Ladbroke, among was that Grand Metropolitan, the spirits group, had agreed to buy the stake.

it was also said that a block of around 20m Coats Vivella shares was on offer from a big US broker. At the close of one of the busiest trading sessions for many weeks, the FT-SE 100 finished a net 24.7 weaker at 3,604.1, while its junior index, the FT-SE Mid 250, moved in tandem, finally settling 25.6 off at

The setback in the market was all the more worrying given that there

Young, the chairman, and Mr James Ross, the chief executive, were leaving the company.

BT was another big Footsie winner, the shares romping ahead late in the session amid talk of big switching out of Vodafone, the market leader in the UK cellular market. US investors, which own 47 per cent of Vodafone, were said to be moving out of the stock after the interim results.

It was the latest profits warning, this time from De La Rue, the bankwere a number of strong performers notes printer and paper group, that among the leaders, notably Cable caused widespread dismay to a mar-

way down.

The trigger point for the

sell-off looked to be reiterated

sell advice on BPB from BZW.

The broker, which turned

seiler on BPB in October, is unhappy about plasterboard

overcapacity in Germany,

where the equivalent of hous

ing starts are running some 20

per cent down this year. How-

ever, BZW remains firmly over-

weight on the sector as a

Redland closed 17 lower at

Among builders merchants,

352p, Blue Cicle ended off 12 at 314p and BPB shed 10 to 315p.

Wolseley retreated 9 to 440p;

but timber specialist Meyer International added 3 at 363p

ahead of today's interim

British Land fell 14 to 381p

others. De La Rue shares went into a tailspin, plunging in excess of 20

LONDON STOCK EXCHANGE

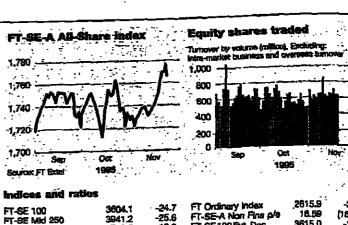
Wall Street's skittish performance overnight saw the Footsie open more than 16 points lower and the market never really recovered its poise. Apart from an early bout of cheap buying, dealers said that the action was almost all on the sell side and included some small-scale

programme trade activity. The Dow Jones Industrial Average opened easier yesterday but by worries about the price war. Custhen rallied and regained the 5,000 level an hour after London closed.

Marketmakers said Wall Street's improvement, coupled with a firmer trend in bonds after hours could see London make progress at the outset this morning. They warned, how-ever, that UK shares were already discounting interst rate reductions

and a "good" Budget. Turnover in equities reached 909.9m shares, the heaviest for some time, and was marked by a large number of tax-related trades in underperforming stocks such as BT, British Gas and Hanson

There was again some hig activity in the food retailers, which were hit tomer business on Monday was worth £1.67hn.



T-SE-A All-Share 1765.73	-12.2 11.24 (3.80)	10 yr Gilt yleid 7.76 Long gilt/equity yld ratio: 2.10	(7.7 (2.1
Sest performing sectors Tobacco Oil, Integrated Brewerles Gas Distribution	+0.2	Worst performing sectors  1 Paper, Pkg. & Printing  2 Chemicals  3 Textiles & Apparel  4 Retailers, Food	

## **Orange** boost for BAe

British Aerospace soared to second place in the Footsie performance charts, powering ahead by 24 to 773p for a two-day advance of more than

5 per cent. A buy note from Credit Lyonnais Laing combined with a general flow of positive good news to drive the shares higher. There were hopes for an early go-ahead for the Eurofighter project, plus renewed speculation that BAe's stake in the Orange mobile phones system would soon be at the cen-

tre of corporate activity. BAe has 31.8 per cent of Hutchison Telecom, which runs the Orange system, and the shareholding is widely estimated to be worth around CDn. BAe has a market capitalisation of some £3.4bn.

#### Telecoms active

Telecoms shares provided a day of almost non-stop high drama. The top management departures at Cable and Wireless were announced after the market close and the shares ended higher in 14m traded. BT racked up turnover of 45m and Vodafone, hit by US selling. saw 37m shares traded, the heaviest single day's activity since March this year.

Most analysts put a positive interpretation on the boardroom reshuffle at C&W. "This clears the air, although there could be some share price bank, and it was looking to

weakness in the short term." said one leading telecoms analyst yesterday. The stock closed 9 higher at 429p.

In contrast, mobile phones group Vodafone fell 15 to 239p following interim results that disappointed some analysts and a briefing by the company which suggested that the Christmas selling season was proving tough going in the face of keen competition from rival groups.

A string of dividend-related deals was said to lie behind heavy trading in BT, which finished 51/2 better at 3611/2p.

#### De La Rue drops

Bank note printer De La Rue provided the day's biggest share price upset, tumbling more than 20 per cent in record breaking turnover, following a set of interim results that contained the group's second profits warning in eight months.

The statement sparked an immediate round of earnings downgrades, and brokers showed little mercy. Henderson Crosthwaite cut back its estimate for this year by 15 per cent to £145m. At the close the shares were deep into new low ground for 1995, off 182 at 718p in turnover of 11m.

Shares in spirits group Guinness closed 6 lower at 467p. after trade of 1.7m, with the group at the centre of a spate One story doing the rounds was that LVMH, the French

luxury goods group, was looking to sell its 20 per cent holding in Guinness. Another tale suggested that the stake had been bought by Goldman Sachs, the US investment

place the stock with a variety of institutions, though there was even a story suggesting up in recent weeks. Redland, off almost 5 per cent, Blue Circle and BPB Industries led the place the stock with a variety was even a story suggesting the stake had been sold on to

Grand Metropolitan. LVMH sold a 4 per cent stake in Guinness last November, reducing it to the present 20 per cent. Under a crossshareholding agreement. Guinness has a 24 per cent holding in Moet Hennessy, the LVMH cognac and champagne busi-

One market specialist yesterday dismissed the talk as "fantasy", while another said: "The shares would have fallen by far more if this deal was about to happen." GrandMet gave up 8

to 434p. In banks, Abbey National climbed 9 to 601%p after saying that third-quarter market share rose substantially and retail margins strengthened. Building materials shares

came off steeply as investors after the group said it is raistook some of the profits built ing £222.5m by placing 61.6m

#### FINANCIAL TIMES EQUITY INDICES

	1404 51	-404 ZU	1404 11	1404 10	1404 14	11 1000	1100	
Ordinary Sha	re 2615.9	2647.6	2638.9	2841.8	2611.0	2369.1	2686.5	2238.3
Ord. div. yaski	4.10	4.05	4.06	4.06	4.12	4.39	4.73	4.02
P/E ratio net	15.65	15.85	15.89	15.89	15.68	17.93	21,33	15.35
P/E ratio nil	15.49	15.69	15.72	15.73	15.52	17.55	22,21	15.17
'For 1995, Ordin FT Ordinary Sita				High 271;	3.8 202/94	; 10w 49.4	26/9/40	

Ordinary	Share	hounty	changes	
Ones	9 60	10.00	11 00	

CIGHTIS COMIC		~~~~	•						
Open 9.00	10,00	11,00	12.00	13.00	14.00	15,00	16,00	High	Low
2638.4 2633.9	2627.6	2624,4	2612.5	2612.9	2613,1	2613,6	2615.6	2636.6	2612.3
		Nov 21	Nov	20	Nov 17	Nov	16 N	ov 15	Yr ago
SEAC bargains		30,881	1 34	277	35,303	32,2	36 2	7,482	24,284
Equity turnover	Œmit		- 16	71.6	782 t.û	1897	7.1 1	738.2	1331.3
Equity bergains	ť		- 40	.853	41,903	38,1	37 5	3.796	25,980
Shares traded (			- 6	21.D	620.8	714	L2	845.E	849.6

E Lundon m		ta 1995 Highs and k	 LIFFE Equity optic	
Total Rises Total Falls	340 906	Total Highs Total Lows	Total contracts Calls	32,330 16,794

shares to fund an acquisition of a portfolio of retail properties. It is the group's second equity issue this year. British Land is also taking full control of Broadgate Properties in cen-

tral London. The placing and open offer is one new ordinary share for every six ordinary shares at 370p a share. The offer is being underwritten by SBC Warburg and UBS.

International trader Inchcape fell 19 to 268p, continuing the derating that set in last week, following a profits downgrade by UBS. The shares, which stood at 430p earlier this year, have fallen 12 per cent in

three days' trading. Textiles leader Coats Viyella retreated 11 to 177p in 4.3m turnover, as rumours of a big share overhang swept through the market. A line of 20m shares was said to have been

on offer. Diversified industrial Powell Duffryn came off 9 to 554p for a two-day decline of 5 per cent. Bargain hunters used the opportunity of weakness in the market to buy hotels and leisure group Ladbroke. The shares, the best performers in

the Footsie, closed 41/2 ahead at

137p after trade of 4.1m. Trading in hotels and restaurants group Forte was particularly busy, as vague talk of a possible bid from Granada Group surfaced. Several analysts dismissed talk of such a bid but not before the shares had firmed 4 to 275p in hefty volume of 11m.

Forte was the most actively

dealt stock in the traded options sector, where the equivalent of 4m shares were traded, with the December 300 calls said to be the most active. Shares in Granada, which reports preliminary figures today, eased 3 to 697p in general profit-taking.

SmithKline Beecham "A" fell 14% to 690%p, while Zeneca dipped 16 to 1291p following the change from "moderate outperformer" to "market per-

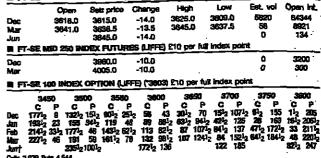
Chemicals group ICI followed the market lower, falling 32% to 742%p amid a general retreat by European chemicals

Food retailers came under pressure on renewed fears that intensify over the Christmas

period. There was heavy trading in Asda Group, the shares relinquishing 3% to 95%p in volume of 28m. J. Sainsbury surrendered 8 to 374p in trade of 6.6m, while Tesco also fell 8 to 276p, with volume soaring to 13m

Among second liners, Kwik Save weakened 9 to 582p, while Iceland Group finished 4 down at 150p.

#### FUTURES AND OPTIONS FT-SE 100 INDEX FUTURES (LIFFE) \$25 per full index point



(API)

Calls 2.039 Puls 4.544 M EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) \$10 per full index point

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TRADING VOLUME

Vol. Closing Days 000s price chang

**■ Major Stocks Yesterday** 

3425 3475 3625 3575 3625 3676 3725 3775

Dec 194\(^2\) 5\(^1\) 149\(^1\) 10\(^1\) 10\(^1\) 10\(^1\) 10\(^1\) 11\(^1\) 11\(^1\) 14\(^1\) 5\(^1\) 12\(^1\) 10\(^1\) 11\(^1\) 12\(^1\) 10\(^1\) 11\(^1\) 12\(^1\) 10\(^1\) 11\(^1\) 12\(^1\) 10\(^1\) 11\(^1\) 12\(^1\) 13\ Cube 3,706 Puts 3,131 " Underlying trates value. Premittents shows are based of Long dated exorty months.

MARKET REPORTERS:

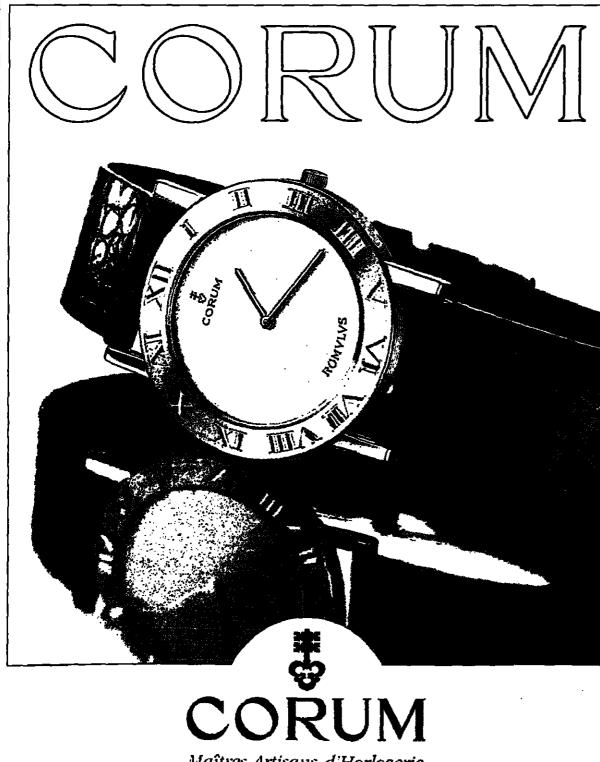
## LONDON RECENT ISSUES: EQUITIES lasua Amit Mict. price paid cap Div. Grs PVE cov. yld net p up (Cri.) High Low Stock - F.P. 32.2 93 92 Abrust Asian Smilr - F.P. 2.24 33 32 Do Warrants - F.P. 2.13 10 9 †Arton Props 306 F.P. 46.5 301 285 BZW Erps Bermuda - F.P. 61.2 102 101 Bernfeld & Rea - F.P. 5.76 64 50 †Chestwell Ind - F.P. 3.78 71 65 †David Gless 145 F.P. 3.78 77 65 †David Gless - F.P. 91.0 95 90 Gulmese Flight - F.P. 91.0 95 90 Gulmese Flight - F.P. 191.0 195 191 Do Units - F.P. 191.0 195 191 Do Units - F.P. 22.0 156 126 Herkage Bath - F.P. 25.4 121 97½ Hours Gowelt St C - F.P. 21.1 543 488 †Ind Greetings 45 F.P. 18.5 65 52 †AuthMedia - F.P. 18.1 60 98 Perpetus UK Smit - F.P. 18.1 79 98 5 Schroder Asia Pc - F.P. 18.3 95 36 32 Do Warrants - F.P. 18.3 95 36 32 Do Warrants - F.P. 18.3 95 53 Vero Group - F.P. 322 93 92 Abtrust Asian Smilr - F.P. 224 93 92 Do Warrants - F.P. 2.13 10 9 Tarion Props

FT GOLD	MINE	SI	NDE)	<u> </u>				
·	Nor 20	% chg or day	Her 17		Gross div yield %	P/E	52 v High	raek Lohr
Boki Mines Index (S4) # Regional Indicas	1570.78	+0.2	1867.20	2019.18	1.90	_	2063,66	1637.
Alinca (16)	2494.99	+0.4	2484.61	3301.54	4.00	21.69	3301.54	2372
Australitaia (6)	2321.54	+1.3	2292.83	2647,A1	214	26.09	2947.41	1788.
Mortin America (12)	1630.19	-0.1	1632.57	1544.98	0.82	45.80	1831.00	1348.

	Pharmaceuticals storetreated after Goldman Sacthe US investment bank, do graded its recommendati	cks mo	nes Limbe	i (12) se Pinenci 1. Figures	1630.1 al Times I in bracket	a apost un	1632.57 95. FT G mber of o	2647.AT 1544.96 citi Mines companies, t or this edit	Beerls US 1	45.80 L tradema	1831.6 nt to An	
	FT - SE Actuaries S	hare In	idices						ī	he U	K S	erias
		Nov 21	Day's chge%	Nov 20	Nov 17	Nov 16	Year	Div. ylekd%	Net cover	P/E :	Xd adj. ytd	Total Return
Į	FT-SE 100	3604.1				3610.8			2.09			1432.5
i	FT-SE Mid 290	3941.2				3960.8			1.81			1540.2
ı	FT-SE Mid 250 ex hiv Trusts	3962.0				3986.1			1.87			1548.7
ı	FT-SE-A 350 FT-SE-A 350 Higher Yield	1789.6				1794.2 1786.2			2.04			1454,4
١	FT-SE-A 350 Lower Yield	1789.7 1794.1				1807.0			1.84 2.40			1205.2 1218.0
ı	FT-SE-A 330 LOWER TRACE	1951.35				1943.18						1573 4
	PI-SE SITURE AND	1997.35	-411	1033./3	I MON 97	1863.78	1782.19	2225	1.89	22.17	20.56	15/3 4

FT-SE SmallCap	1951.35	-0.1 1	963.73	1948.91	1943.18	1782.19	3.33	1.69	22.17 56.99	1573.43
FT-SE SmellCap ex law Trusts	1935.47	-0.11	937.88	1933.55	1928.51	1750.50	3.56	1.77	19.85 60.03	1569.05
FT-SE-A ALL-SHARE	1785.73	-0.6 1	776.97	1769.50	1769.35	1532.32	3.82	2.02	16.21 63.03	1458,42
■ FT-SE Actuaries All-S	hare									
}		Dey's		_		Year	Div.	Net	P/E Xd adj.	
l	Nov 21	chge% I	Nov 20	Nov 17	Nov 16	ago	yield%	COVE	ratio yto	Return
10 MINERAL EXTRACTION(28)	3050.97	+0.2 3	045.26	3021.23	2987.28	2667.10	3.84	2.02	16.13 116.67	1283.85
12 Extractive Industries(7)	4178.63				4145.48		3.55	2.51	14.06 143.77	
15 Oil, integrated(3)	3071.35				2994,32		4.01	1.96	15.95 123,19	
16 Oil Exploration & Prod(13)	1897.91				1889.47		2.65	1,49	31.59 49.88	
20 GEN INDUSTRIALS(277)	1939.95	-1.3 1	985.85	1969 (14	1964.02	1876.85	4.28	1.89	15.48 75.01	1037,72
21 Building & Construction(38)	989.49				985.01		4.05	2.00	15.46 38.19	813.52
22 Building Matts & Marchs(31)	1763,19		•		1773.37		4.22	2.03	14.55 67.08	871.82
23 Chemicals(23)	2321.28	-2.7 2	386,81	2400.67	2410.77	2277.84	4.22	1.89	15,63 91,19	
24 Diversified Industrials(20)	1777.36				1768.40		5.58	1.56	14.33 87,44	
25 Bectronic & Elect Equip(36)	2138.03					1872.55	3.50	1.98	18.01 61.70	1089.60
26 Engineering(66)	2148.24				2154.24		3.49	2.26	15.84 70.58	1283.70
27 Engineering, Vehicles(13)	2543.59				2553.27		3.69	1,17	29.08 93.56	1295.90
28 Paper, Polog & Printing(27) 29 Textiles & Apparel(21)	2478.35				2737.69		4.04	2.50	12.38 89.95	1012.47
<del></del>	1472.71				1509.34		4.69	1,83	14.01 68,68	880.13
30 CONSUMER GOODS(89)	3539.28				3551.83		3.80	1.79	18.37 124.75	
31 Brewenes(17)	2734.97				2709.43		3.68	1.95	17,38 68,42	
32 Spirits, Wines & Ciclers(9) 33 Food Producers(24)	2794.32 2482.92				2832.94		4.28	1.63	17.90 107.13	
34 Household Goods(11)	2521.30				2570.03	2278.00	4.04 3.79	1.85 2.13	16.72 92.00	
36 Health Care(17)	1946.00				1947.92		2.68	1.81	15.46 90.95	946.66
37 Phermaceuticats(10)	4988.34				5005.52		3.30	1.70	25,76 48,10 22,20 162,31	
38 Tobacco(1)	4786.05				4892.87		5.01	1.94	12.84 229.23	
40 SERVICES(228)	2165,48				2186.94					
41 Distributors(30)	2573.83				2822.52		3.10 3.90	2.06 1.77		1108.27
42 Leisure & Hotels(29)	2504.23				2454.19		3.20	1.92	18.07 94,68 20.34 73.67	934.18 1282.74
43 Media(43)	3496.77				3494.66		2.09	2.37	25.21 78.06	
44 Retailers, Food(16)	1855.43				1971.72		3.90	2.40	13.33 65.37	1158.23
45 Retaliers, Gemeral(44)	1842.35				1855.46		3.21	2.12		1037.56
48 Support Services(37)	1858.13				1853.72		248	2.52	20.01 41.58	1167.37
49 Transport(20)	2188.87				2228.54		3.98	1.30	24.10 88.39	88.88
51 Other Services & Business(7)	1 <u>161.2</u> 5			_	11 <u>62.84</u>		<u> 4.51</u>	<u>1.41</u>	19.62 43.10	1043.88
80 UTILITIES(DS)	2482.38				2481.71		4.71	2.06	12.91 104,72	1017.84
82 Electricity(13)	2863,62				2874.43		4.02	2.81	11,05 143,97	1295.41
64 Gas Distribution(2) 66 Telecommunications(7)	1582.95 2008.05				1601.53		7.57	1.04		
68 Water(13)	2097.73				2026.30 2088.46		4.18	1.75	17.06 51.48	893.14
			_	_	_		5,54	2.69	8.40 97,82	1121.88
68 NON-FINANCIALS(660)	1862.84				1871 <u>.29</u>		3,87	1.95	16.59 67.39	1382.66
70 FINANCIALS(113)	2841.65	-0.5 20	355.82 2	2826.34	2821.82	2174.63	3.92	2.44	13.06 104.67	1186.97
71 Banks, Retsi(9)	4024,46				3968.82		3.61	2.81	12.29 140.81	1269.32
72 Banks, Merchant(6)	3550.23				3560.73		2.61	2.43	19.69 96.34	1110.28
73 Insurance(25)	1387.71				1391.32		5,30	2.68		1016.58
74 Life Assurance(6) 77 Other Finencial(22)	3421.90 2413.44	-0.0 %	148.00	9411.58	3366.19	2359.68	4.08	1.53	19.99 136.72	1394.09
78 Property(45)	1391.06				2401.89		3.70	1.93	17.51 65.66	1346.23
					1386.60		<u>4,47</u>	1.33	<u>20.99 48.69</u>	835.05
80 INVESTMENT TRUSTS(133)	2956.04		334.77	2942.86	2934.02	2736.16	2.26	1.05	52.84 57.42	1019.75
89 FT-SE-A ALL-SHARE(895)	1765.73	0 <u></u> 17	776.97 1	769.50	1789.95	1532,72	3.82	2.02	16.21 63.03	1458.42
FT-SE-A Flecksing	1094.21	-0110	105 81 1	1003.67	1091.25		2.83			
FT-SE-A Fledging ax inv Trusts	1096.07				1093.33	-	2.63 2.96	1.34 1.40	33.01 30.27	
						•	4.30	1.40	30.05 29.14	1128.19
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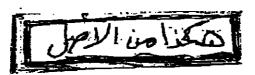
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FT-SE A	ctuari	es 350	) Indu	stry b	asket	5						
	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bidg & Costron	977.4 4990.3	976,1	972.0 4641.0	975.2 #941.0	972.8	974.8 4035.0			975.9	975.3	981.2	-5.8



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WORLD STOCK MARKETS .	35
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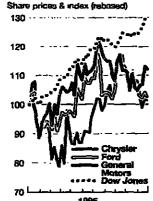
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## Dow climbs decisively through 5,000

Wall Street

After trading in a narrow range for most of the morning, the Dow Jones Industrial Average moved decisively through the 5,000-point barrier just after 1 pm yesterday, renewing investors' hopes that it could make its first-ever close above that level, writes Lisa Bransten in New York.

On Monday, the Dow twice edged through 5,000, but ended the session down nearly 7 points at 4.983.09 as weakness in technology issues spilled over into the broader market.



Source: FT Exter

Yesterday morning the markets threatened a repeat performance as the Dow posted modest gains while the technology-rich Nasdaq composite

Close to 1.20 pm the Dow was 26.37 stronger at 5,009.46. The Standard & Poor's 500, which breached its own psychological barrier of 600 on Friday but fell on Monday, was ahead 2.30 at 599.15. The American Stock Exchange composite, however. slipped 2.16 to 529.43. New York SE volume was heavy at

In early trading, the Nasdaq slipped as much as 13 points, but by early afternoon the lower prices brought renewed interest and, near 1 pm, the index was off just 2.11 at 1,027.36. The Pacific Stock was off as much as 1.8 per cent before recovering to a 0.2 per

Dell Computers fell more than \$2 in early trading although the computer maker reported late on Monday that earnings grew 82 per cent in the third quarter. By early afternoon the shares had bounced back from their session lows and were unchanged

The US automobile makers were relatively steady although Merrill Lynch cut its earnings estimates on the three companies. General Motors, the largest of the three, was steady at \$47%. Chrysler was off \$% at \$49% and Ford was \$% lower at

Rising issues on the Dow included Caterpillar, which gained ground on expectations that the United Auto Workers were close to settling their strike with the company, Aluminum Company of America and IBM. In early trading, Caterpillar gained \$3% or 5.6 per cent at \$58%, Alcoa was \$1% stronger at \$54% and IBM added \$11/2 at \$941/2.

Canada

Toronto edged ahead in midday trade, with news that the Separatist leader Mr Lucien Bouchard would seek the job of Quebec premier and head of the ruling Parti Quebecois already discounted by the mar-

The TSE-300 Composite index was up 6.27 by noon at 4.607.02 in volume of 28.8m

## **Mexico City up 2.2%**

Mexico City picked up after a sluggish start as the peso pared early losses, prompting ties. The IPC index was 50.49 or 3.2 per cent higher at 2.399.95 in midday trade as hopes grew bring lower interest rates on Cetes. or T-bills, after eight consecutive weeks of rises.

Among the morning's big winners. Sidek, the steel to tourism group, saw its L shares up 11.6 per cent.

SAO PAULO was still weak in mid-afternoon trade, but up from earlier lows, on continuing worries over a scandal concerning a \$1.4bn contract for the Sivam Amazonian radar surveillance system.

The Bovespa index lost 106 at 39,554 as the market worried that any parliamentary inquiry committee set up to look into the scandal could slow the constitutional reform debate in

**BUENOS AIRES** maintained its rally into a fifth day, the Merval index adding 4.47 at 434.53 by noon.

Petrochemical issues were sharply higher after the gov ernment's successful sale of its stock in two leading petrochemical plants on Monday.

#### S Africa retreats from highs

South African industrial at R55, while the steel maker shares dropped in listless trade to close off intra-day highs, dragged down by profittaking after Monday's record

Dealers said small overnight losses on Wali Street also dampened industrials, while golds improved marginally, supported by a slightly firmer builton price. The overall index lost 7.3 at

6.045.4. industrials receded 34.0 to 7.681.5 and golds edged up 1.6 to 1,359.3.

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FT/S&P ACTUARIES WORLD INDICES

Iscor shed 16 cents to R3.12 and Sasoi, the petrochemicals group, 75 cents to R29.

Financials were more mixed. with Absa, the country's biggest bank, easing 65 cents to R19.25 in spite of reporting robust half-year results on Monday. SBIC added R1 at R155, Nedcor rose 50 cents to a 1995 high of R59.50 and Liberty Life surged R3.75 to R110. A tick-up in bullion prices towards \$387 per ounce helped gold shares, Vaal Reefs advancing R2 to R238 and Western

Areas gaining R1 at R59.50.

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## Product price fears weigh upon chemicals sector

Chemicals stocks fell across Europe after the broker Goldman Sachs lowered its recommendations on five European majors: Hoechst fell DM3.90 to DM363.60. EVC and DSM F11 to Fl 43 and Fl 4.50 to Fl 121.30 and Solvay BFr475 to BFr15,275, while Clariant held firm at SF1370.

Deutsche Morgan Grenfell, in a parallel analysis, said that customer inventory destocking was adding to pressure on bulk plastic prices and margins, that year on year prices had collapsed by 30 to 45 per cent and that, with the general expectation of further decline in December, they were seen testing levels reached in the 1993-94 trough.

FRANKFURT had one or two winners in cyclicals, Daimler offsetting Hoechst with a DM6.55 rise to DM703.80 after the group finalised its Dolores plan to cut 8,800 jobs at its Dasa aerospace subsidiary. The Dax index closed just 2.11 points lower at an Ibis-indicated 2,201.90.

Turnover eased from DM6.6bn to DM5.8bn. There was more trouble in second liners: a 22 per cent drop in nine-month profits at the hair care manufacturer Wella outweighed the accompanying

Lingtype-Hell

forecast of a DM60m to DM80m profits gain next year and the eference stocks dropped a further DM8 to DM720; and a loss forecast from the printing equipment maker Linotype Hell left it DM4.50 down at a 1995 low of DM156.

1995

PARIS saw more profits taken, the CAC-40 index clos-ing 8.47 off at 1,872.93 in turnover of FFr3.2bn. AGF exemplified the day's theme, falling FFr3.60 to FFr162, although the insurer, which has been talking recently about paring down its industrial interests, refused to comment on talk that it might sell its 3.1 per

cent stake in Pinault-Prin-

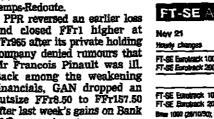
and closed FFr1 higher at FF7965 after its private holding company denied rumours that Mr François Pinault was ill. Back among the weakening financials, GAN dropped an outsize FFr8.50 to FFr157.50 after last week's gains on Bank of France rate cuts.

ZURICH remained at a high for the year but could find no incentive for another assault on its all-time peak, and the SMI index edged 1.7 higher to

for positive news from the

CS Holding was under pressure, losing SFr2 to SFr112.75,

annual shareholders meeting



3,183.9. Nestle, which holds its autumn press conference today, was actively traded, picking up SFr2 to SFr1,229. The shares were supported by speculation that Mr Helmut Maucher, the chief executive, might be about to step down from operational management and make way for a successor who would press harder to improve shareholder value. Swiss Re firmed SFr4 to SFr1.265 as expectations grew

later in the week. on various rumours, including expectations that it might be



about to announce an acquisition or that bad news was on the way over this year's earnings. UBS fell SF18 to SF11,230 and SBC eased SF14 to SF1477. Adia jumped SFr15 to SFr181 after the personnel services group announced a dividend for 1995, the first payout for

six years MILAN was depressed by higher than expected inflation figures which eclipsed good news of the Senate's approval of the 1996 budget, and the Comit index fell 8.57 to 568.95. Gemina bucked the trend, aping L30 to L667 on the view that, after Monday's news conference, there were no more hidden losses to come out. Ambroveneto gave up L80 to L3.974 amid speculation that it might be displaced in the Mib-30 index by ENI, the oil

giant, whose shares commence

AMSTERDAM's weakness in cyclicals extended to the paper industry as well as chemicals. and it had problems elsewhere as the AEX index retreated 2.21 to 461.30. In papers, KNP BT dropped Fl 1.60 to Fl 40, hurt by a profits warning from De La Rue, of the UK; meanwhile, CSM, the food and biochemicals group, dropped DM2.60 to produced on Monday, were within the analysts' expected

STOCKHOLM had a flat day in aggregate, the Affärsvärlden General index easing just 0.06 to 1,728.3. However, there were contrasts in the forestry sector, up 11 per cent overall: Stora rose SKr3 to SKr81, but Assi-Doman declined SKr2.50 to SKr149.50 after it said that markets for key products were weakening, and that recent pulp price rises would not hold.

HELSINKI's forestries went the other way, down 2.4 per cent, with Metsa-Serla off FM7 at FM143 on the price it was prepared to pay for parts of its

rival, Myllykoski. The Hex

index fell 10.07 to 1,844.43. LISBON reflected continuing gloom in the pulp sector with new 1995 lows for the market and the cellulose company Portucel Industrial. The BTA index closed 30.6 down at 21,427.7. PI was Rsc54 lower at Esc846, down some 18 per cent since November 10 as it followed a recent downward

trend in pulp shares in Europe. VIENNA extended Monday's recovery on better than expected results from the oil and chemicals group OMV. The ATX index rose 9.4 to 924.32, with OMV up Sch23 at Sch878 after a steep profits rise and Radex Heraklith, the top per-former, Sch14 ahead at Sch289. ATHENS fell heavily again on panic selling following the hospitalisation of Mr Andreas Papandreou, the Greek prime minister. The general index two-day drop of 4.7 per cent.

Written and edited by William Cochrane and Michael Morgan

## Nikkei flat as nickel find lifts Sydney mining issues

Tokyo

Shares were little changed after a day of profit-taking in high-technology issues and renewed foreign demand for large-capital steels and shipbuilders, writes Emiko Terazono in Tokwo.

The Nikkei 225 index was up just 0.50 at 18,384.32 after a day's low of 18,250.90 and a high of 18,459.84. Investors were cautious following the previous three-day rise when the index gained more than 700 points. But while high-technology stocks were sold, a rise in the futures market prompted technical buying, while over-seas investors purchased large-

capital stocks. Volume totalled 500m shares, against Monday's 421m. The Topix index of all first section stocks lost 1.94 at 1.454.44 and the Nikkei 300 softened 0.49 to 272.77. Advances outscored declines by 560 to 501, with 156 issues remaining unchanged. In London the ISE/Nikkei 50

index eased 0.14 to 1.238.72. its on high-technology and semiconductor related shares following Monday's fall on Wall Street, while steels, shipbuilders and trading companies found demand. Nine out of the 10 most actively traded issues on the first section were from the three sectors, which were regarded as relatively undervalued.

NKK, the most active issue of the day, rose Y10 to Y285. while Nippon Steel followed, climbing Y9 to Y362.

Mitsubishi Heavy Industries, the shipbuilder, rose Y12 to Y820. Investors were encouraged by the company's earnings prospects for the current year to March, where its recurring profits were expected to increase by 16 per cent to a record Y165bn. Mitsui Shipbuilding put on Y7 at Y270.

Trading companies were bought on their involvement in the cable television network field and their growing presence in multimedia joint ven-tures. Nissho Iwai, which has a stake in Nifty, a personal company, gained Y5 at Y505, while

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Itochu moved up Y14 to Y673 and Mitsui Y1 to Y849.

Semiconductor stocks were weak, with NEC down Y30 to Y1,250 and Fujitsu losing Y20 to Y1,140. Speculators took profits in Takaoka Electric, which has rallied over the past eight days. Bank stocks were lower on

Sanwa Bank dropped Y90 to Y1,900 and Fuji Bank fell Y30 to Y2.040. In Osaka, the OSE average ended 29.36 ahead at 19,654.77 in volume of 145.9m shares.

reports that Daiwa Bank would

scale back its overseas assets.

Roundup

Lifted by its majors, and enlivened further by the rich Silver Swan nickel find in Western Australia, SYDNEY's All Ordinaries index advanced 12.40 to 2 139 8

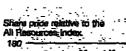
BHP rebounded 22 cents to A\$18.20; CRA reached an eightweek high, adding 36 cents at A\$21.60 in auticipation of a settlement of its industrial dispute: and News Corporation A\$6.90 on new pay television deals and on short-covering.

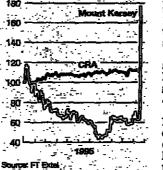
However, the biggest gains were at the speculative end, Mt Kersey Mining, Yardarino and Gindalbie Gold soaring by 112 per cent (74 cents to A\$1.40), 82 per cent and 27 per cent respectively on their proximity to the new nickel find. KUALA LUMPUR moved

ahead 2.6 per cent in a technical rebound, helped by revived interest from US funds, and the composite index punched confidently through the 900 level to finish 23.14 stronger

Among the banks, DCB Holdings appreciated 45 cents to M\$6.95, while Malayan Banking ended 50 cents up at M\$19.10. Property developer Land & General jumped 14 cents to M\$4.80. MANILA also majored on

blue chips as it rebounded from weeks of decline with a recovery of 2.5 per cent. The composite index rose 55.76 to 2.252.24 with volume falling from 2.81bn to 1.205bn shares but, reflecting the importance of blue chips, turn-





over increasing from 1.245bn pesos to 1.62bn pesos.

However, brokers still worried that the strong rally could be met by profit-taking, as rising interest rates and a sliding

peso cast further gloom over the market.

BANGKOK climbed out of negative territory to close with the SET index 12.70 higher at 1,206.13, following rumours in the market that there might be a cabinet reshuffle.

Equities had been falling steadily since Prime Minister Banharn Silpa-archa's elected government took power in July.

Investors had called for Ban-harn to reshuffle some of his cabinet ministers, and senior officials from the six parties in Banharn's coalition government were due to meet today to discuss the situation, said

government sources. TAIPEI finished sharply higher thanks to the entry of a new T\$3bn closed-end fund, but brokers did not expect further surges. The weighted

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index rose 55.95 or 1.2 per cent to 4,621.67, with electronics stocks up 2.1 per cent.

SINGAPORE firmed as foreign and local institutions went bargain hunting for index linked blue chips and banking stocks. The Straits Times Industrial index ended 15.76 ahead at 2,102.64.

HONG KONG gained ground on a round of late buying but trading remained thin in the absence of foreign participation. The Hang Seng index closed 86.01 up at the day's best of 9,373.91. Turnover dwindled to HK\$2.8bn.

New World Development moved forward HK\$1.10 or 3.8 per cent to HK\$30.20 as investment funds picked up blue-chip property counters after the market's recent weakness JAKARTA saw a halt to four

straight days of declines and

the composite index finished 0.92 better at 454.05.

Among advancing Bank International Indonesia jumped almost 11 per cent to Rp6,625, with some half-million shares changing hands, on the view that the stock had been oversold in recent days.

Indosat recouped Rp300 at Rp7,100 on the view that the stock was oversold when it was removed from the Morgan Stanley Capital International

SEOUL was sharply lower in thin trading for the third straight trading day as inves-tors actively sold on increasing concerns that the market's weakness might be prolonged in the wake of the slush fund scandal.

The composite stock index ended the session 13.66 or 1.5 per cent down at 917.98.

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31st October 1995

## **Hoechst AG**

has successfully completed the disposal of its 77% interest in



Hans Schwarzkopf GmbH

#### **Deutsche Morgan Grenfell**

advised Hoechst AG on this transaction

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